

T H E I M P A C T O F
F E D E R A L G R A N T S I N I L L I N O I S

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FOREWORD

With the recent national interest in federal-state relations, the Institute of Government and Public Affairs is pleased to publish this study. It is another contribution in the Institute's series on Illinois politics and government.

The author, Phillip Monypenny, is an Associate Professor in the University of Illinois Department of Political Science. He prepared a study on the Illinois situation for the Commission on Intergovernmental Relations and this volume is an expansion of that study. Professor Monypenny, whose main interest is the field of public administration, has had wide experience with agencies and programs of the Illinois State Government and is, thus, well qualified to write on the subject of federal grants-in-aid.

As is the case in all studies published by the Institute, maximum freedom has been accorded the author. The views expressed and the conclusions reached are his.

ROYDEN DANGERFIELD, Director

Institute of Government and Public Affairs

PREFACE

This study grew out of an opportunity to prepare a report on the impact of federal aid on state and local government in Illinois, for the President's Commission on Intergovernmental Relations, in the summer of 1953. Illinois was one of a number of states in which such studies were made by resident scholars. Since the materials on federal grants are very widely scattered and not readily available, and the 1953 study gave rise to a number of reflections which went beyond the scope of the report to the Commission, this more extensive study was prepared with the encouragement of the staff of the Institute of Government and Public Affairs.

The study provides a brief introduction to the role which federal grants-in-aid have played in Illinois finance since 1921; a short description of the content, administrative organization, and administrative procedures of nearly all of the grant programs currently in effect in Illinois; and an evaluation of the impact of grants-in-aid on the policies and administrative operations of state government. The principal omission is the grants for the National Guard, a program quite unlike the other grant systems.

The conclusions of fact as to operating and political relationships under the grants received are based not only on the materials descriptive of the programs, but also on the various evidences of controversy such as proposals for state legislative and Congressional action, and suggestions for modifying the grant system made by various organizations in Illinois. The opinions expressed as to these relationships are the author's own, and are not to be attributed to any of the people whose help was invaluable in assembling the materials for study.

The statistical data presented here are the latest available as of the latter part of 1957. Where possible, the data cover the fiscal year ended June 30, 1956. The data on revenues have been computed by the author from state reports, and are as exact as they could be made, considering the lack of uniformity in the reporting system from the year 1921 to the present.

No attempt has been made to cite sources in the text, but the bibliography indicates the principal sources used in its preparation. In addition to documents and publications of all kinds, officials in nearly all grant administering and grant receiving agencies were interviewed. For certain topics considerable use was made of unpublished doctoral theses in the University of Illinois Library written by Professor David Kenny, now of the Department of Government, Southern Illinois University, and Professor William Block, now of the Department of History and Government, North Carolina State College.

The materials prepared by the staff of the President's Commission on Intergovernmental Relations were exceedingly helpful in condensing a mass of statutory provisions and administrative regulations. The published portions of these are cited in the bibliography.

A particular debt is owed to the many state and federal officials in Illinois who submitted to interviews and were generous with their time and experience. These include not only administrative officers at various levels, but also members of the Illinois General Assembly.

Professors Samuel K. Gove and Gilbert Y. Steiner of the Institute of Government and Public Affairs gave indispensable encouragement and help in organizing and editing the manuscript. The author's obligations to Mrs. Helen T. Cropp, secretary of the Department of Political Science, and Mrs. Olive Sergeant, Mrs. Donna Miskee, and Mrs. Anna Gissing, members of the secretarial staff of the Institute, are very great.

Phillip Monypenny

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CHAPTER I

GRANTS AND THE FEDERAL SYSTEM

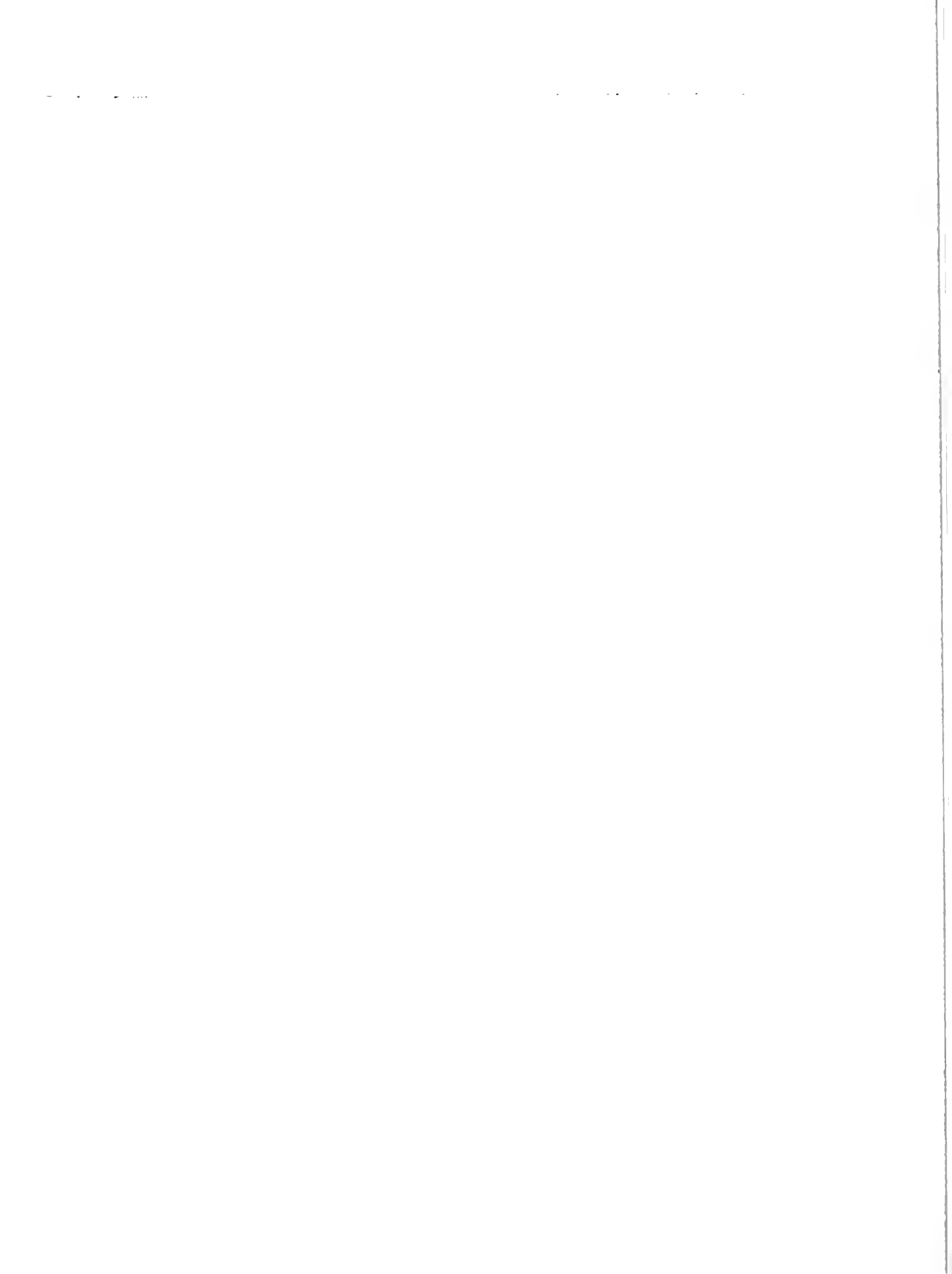
For a long time it has been apparent that the original picture of the government of the United States as a combination of a national government and state government, each with separate powers and functions, does not fairly describe our present governmental structure. Powers may be partly distinct in a constitutional sense, but the activities of national and state governments which grow out of the powers constitutionally exercised are extensively interwoven. This interweaving includes the activities of local governments as well.

There are probably no subjects of governmental concern, even foreign affairs and national defense, in which persons affected by an activity are not subject to the simultaneous control of national, state and local government. Motor truck owners and operators are licensed by state and often by local governments. If they operate in more than a single state, they may be subject to the regulatory authority of the Interstate Commerce Commission as well. One authority does not exclude the other; it complements it. A slaughterhouse may be subject to local sanitary regulations, and to federal inspection if the meat is consigned to interstate commerce. County authorities constructing and maintaining a secondary road under the federal aid system are under some supervision from the state highway department and, in addition, their work must ultimately conform to the requirements imposed by the Public Roads Administration which pays part of the construction cost.

These are but a few scraps from the complex fabric of governmental operations. It is necessary to recognize the existence of such an interweaving of authority in order fairly to estimate the significance and influence of federal grants-in-aid upon state and local government. What follows is largely descriptive of existing relationships, but in the concluding chapter there is some comment on current controversies.

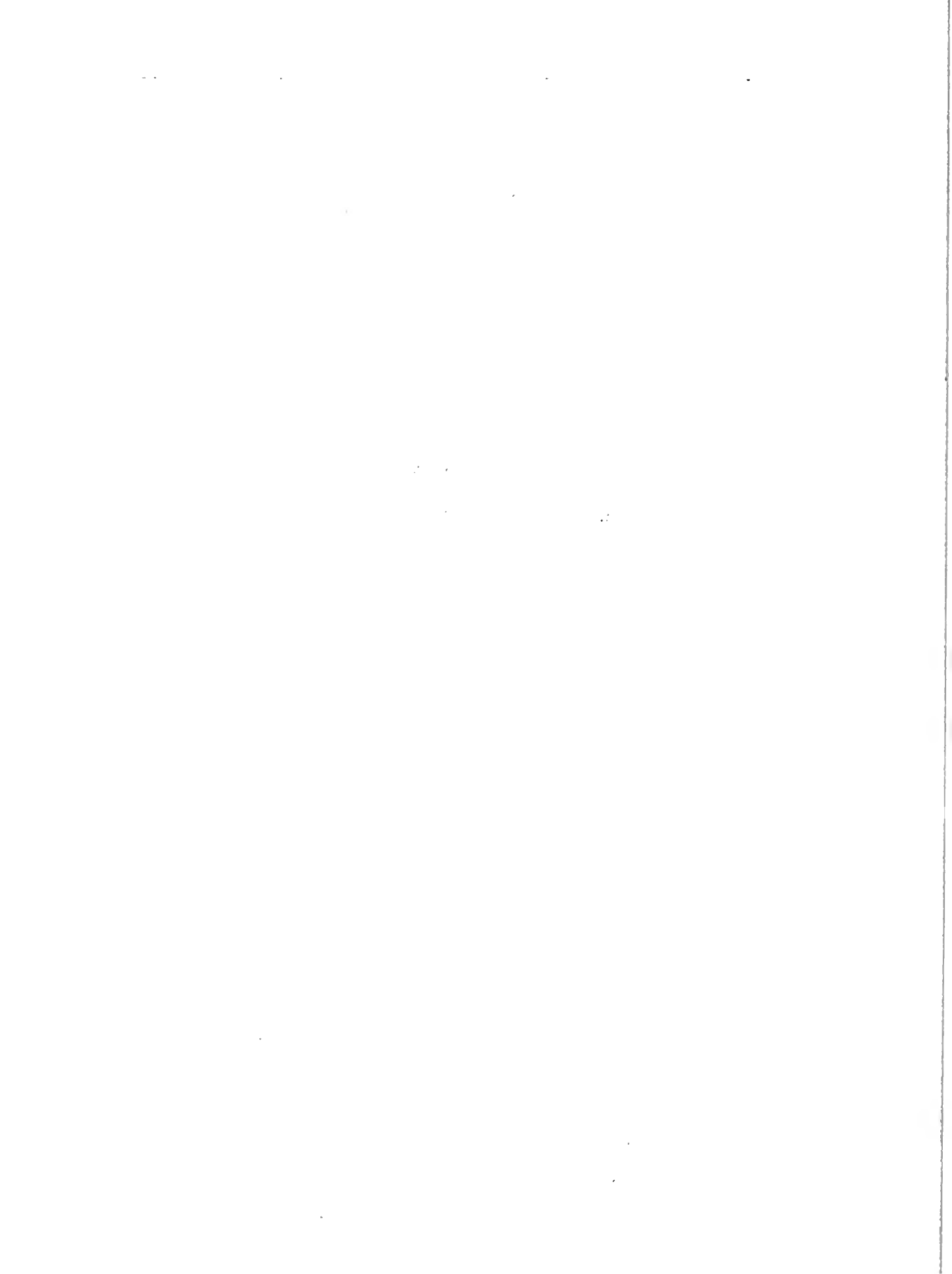
The origin of the federal grant system lies far back in our history.¹ Its constitutional basis is the power of Congress to

1. Grants originated in treasury surpluses which could not be avoided because the revenues which produced them, largely customs duties, had other than fiscal purposes. Henry J. Bitterman, State and Federal Grants in Aid, (Metzger Bush and Co., Chicago, 1938) Ch. I., especially pp. 124-127.



spend for the general welfare, a power which Congress, almost uniquely among federal powers, has the final authority of construing since there is no obvious way to secure judicial review with respect to it. In spending Congress is not limited to the powers granted in Article I, Section 8, of the Constitution, or even to those which can be implied therefrom. Grants are therefore a political rather than a legal matter. Their existence is an indication that Congress and the President have taken an interest in some subjects which previously have been left to state action or inaction. Grants either assist the states to do something better (or at least more extensively) than they already do it, by providing additional resources, or they stimulate the states to do something which otherwise they might not do. In either case elected representatives of the people have chosen to disregard the boundaries of the federal system and use federal financial resources to influence governmental policies in the states. The result is that two systems of government act in respect to some matter of governmental concern, each of them, through the processes of election, qualified to speak as representatives of the people who pay for government and receive its services.

Grants are a demonstration that some matters have ceased to be matters only of state concern and have come to have national significance in the minds of those who provide the grants. Among the better known of these matters are highways, vocational education, agricultural research and demonstration, certain aspects of public health and welfare, civil defense, and unemployment compensation and public employment exchanges. There are also less well publicized activities as wildlife conservation. There is no single reason why different activities come to be matters of national concern. In the case of highways, the limited territory of various states makes the development of an integrated national system unlikely without some form of federal intervention. Here the state is not a completely effective unit for providing a service which obviously has national as well as local aspects. In the case of some welfare programs, the states do not all have resources which will provide a standard of care which is acceptable as a national minimum, and the desire for such a minimum leads to the supplementation of state resources. In other cases, as probably in the case of wildlife conservation, there is an effective demand in the national government for a kind of program for which there is not an effective demand in all states. The national participation in financing is a means of getting the desired program in effect in some degree in all parts of the United States. The difference in a very large number of respects between the states, the differences in the size and layout of the districts from which members of the state legislature and of Congress are elected, are enough to insure that the political demands which are heard in state capitals are not identical with those

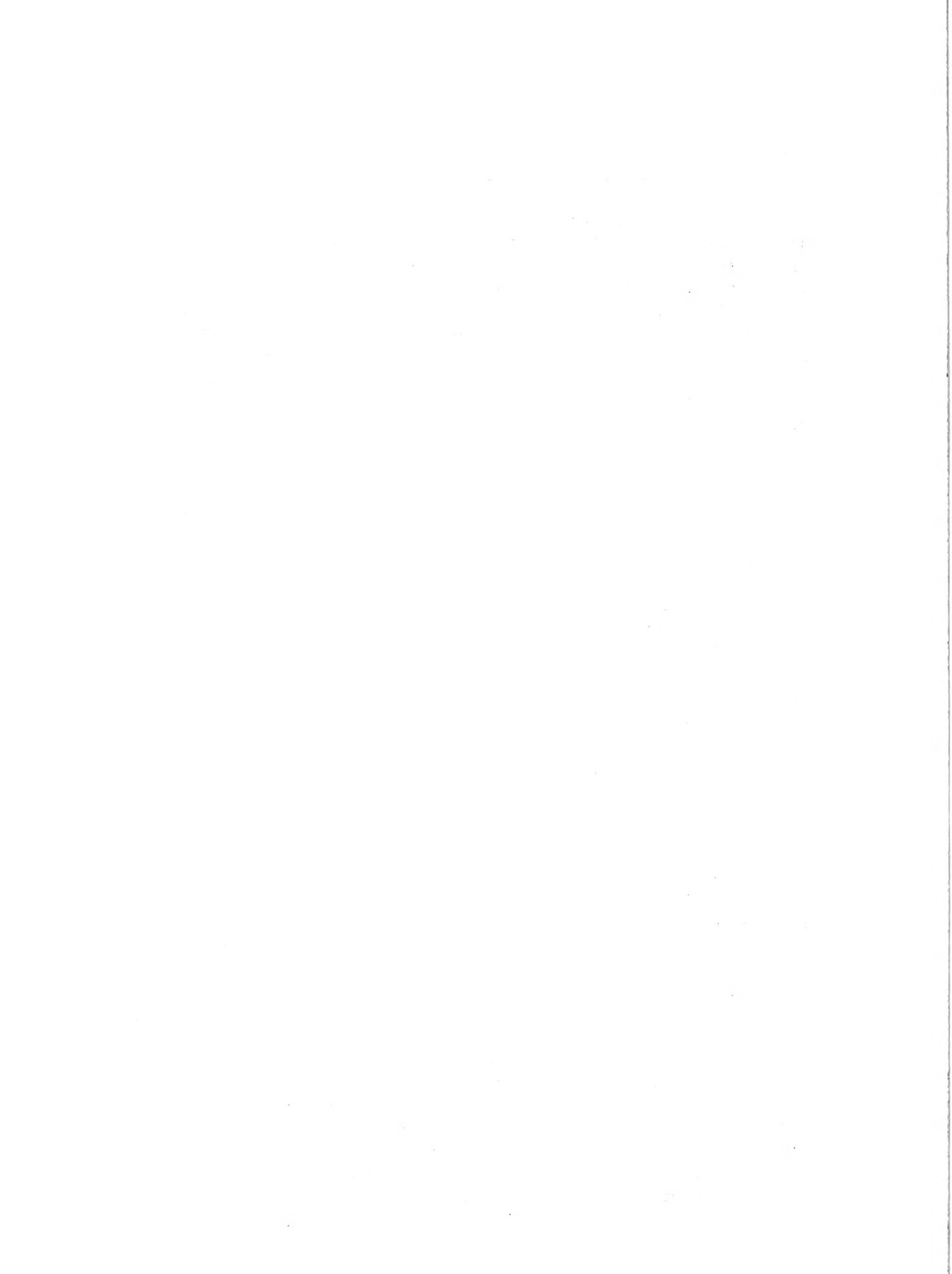


heard in Washington. Both are the voices of the people, but the people are organized in somewhat different ways.

To put this in another way, a part of the justification for grants-in-aid is that the taxable wealth of the United States is not distributed in the same way as the need for certain governmental services, nor in the same way as population. There are states with low populations and great areas in the west where highway construction provides a very different burden on the state's resources than it does in more populous states. There are states in the south with relatively large populations and low taxable resources where welfare programs take a higher proportion of available wealth than they do in more prosperous states. Grants have considerable fiscal importance in all states, being one of the principal sources of income for all state governments, but their justification does not rest on this basis alone. But regardless of wealth there are activities, currently under state control, which some people think ought to be handled either more extensively, or in a more uniform way than they currently are, and federal grants make this possible. In either case, the difficulties of providing service through the states could be met by the federal assumption of the function. In most grant-in-aid fields, where the governmental power invoked is that of taxing or spending, there would be no constitutional difficulty in this, but both politically and administratively it is recognized as inexpedient.

Federal - State Relations in the Grant-in-Aid Programs

It is widely accepted that the system of federal grants to state and local governments results in an extension of federal influence over these governments. It is easier to come to this conclusion since the existing federal grants are obviously not designed primarily to provide financial assistance. State and local governments are not aided primarily because of their fiscal inability to provide governmental services. If this were the purpose, grants could be given with no requirements as to the purposes for which they should be spent. Rather, grants are available for specific purposes under specific standards. State quotas for funds under the various programs are only partly based on some measure of financial need. In order to receive the allotted funds, states must comply with requirements both as to the policy which is to be adopted and the administration of the activity in question. The state must raise matching quotas for most federal grants and only occasionally are these quotas relatively less for the states with the lowest per capita incomes. Having made provision for its quota the state must then submit an approved plan for conducting the aided program, or notify



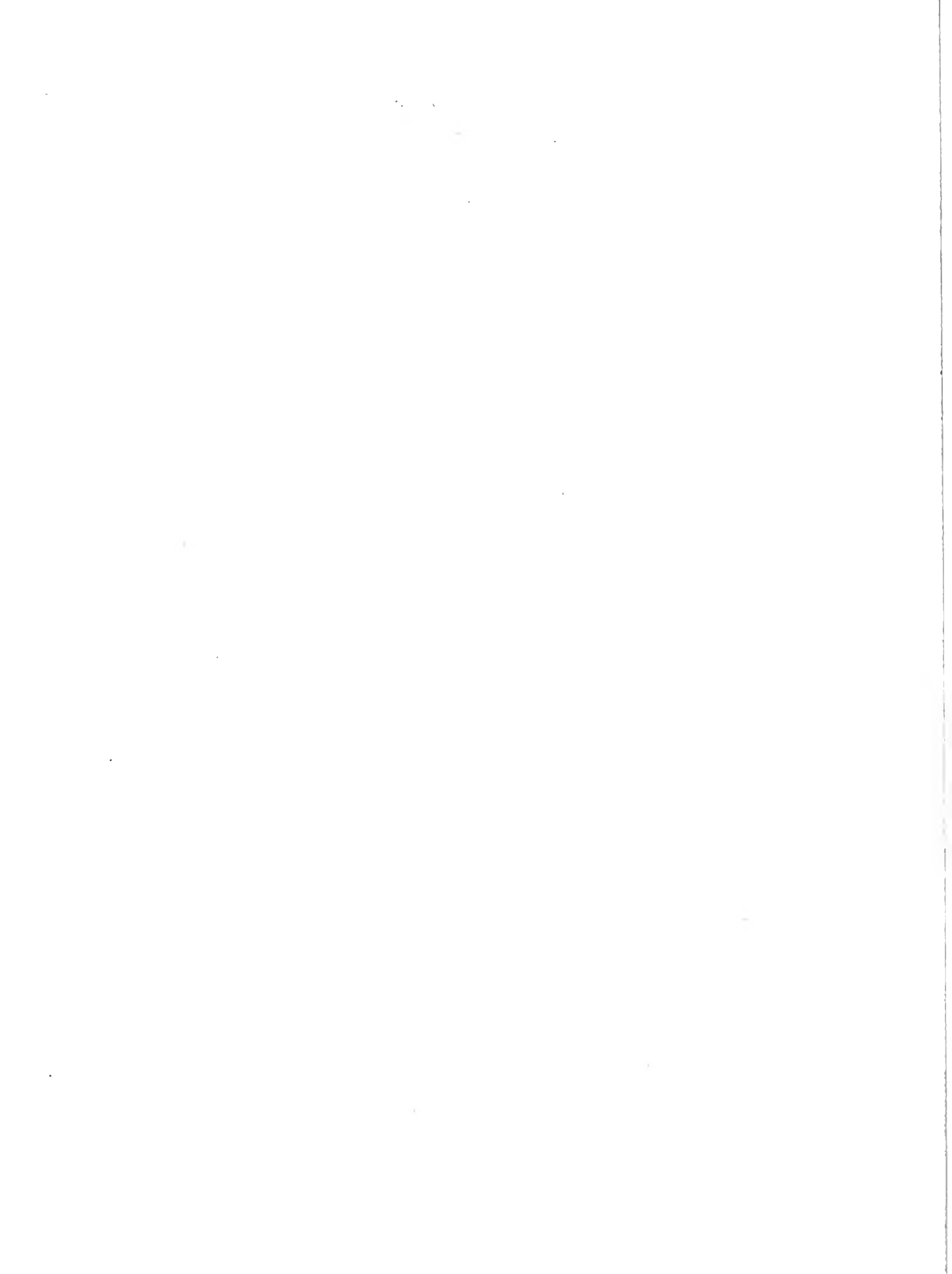
the proper federal agency that the stated conditions have been met. Then it must submit budgets and reports and accept inspection as the price of continued federal assistance. The allotment of funds, therefore, is conditional and none are received except as there is compliance with federal requirements and as the state matches the federal contribution.²

The size of the federal contribution to a particular state is determined in different ways in different programs. For example, in the various public assistance programs which provide aid for needy persons, the federal government contributes a certain amount out of the total monthly allowance to each needy person, up to a certain maximum, and a portion of administrative costs. There is no fixed total which may be granted to each state in any year. The amount actually given depends on the extent of need within the state and the willingness of the state to meet it.

In assistance to the aged the federal government contributes four-fifths of the first 30 dollars per month, and only one-half of the remainder of any monthly payment up to 60 dollars. It carries a higher proportion of the cost in those states which pay less than the national average of about 50 dollars per person per month than it does in those states which pay more. In Illinois the federal contribution is about 52 per cent of all payments to those receiving aid.

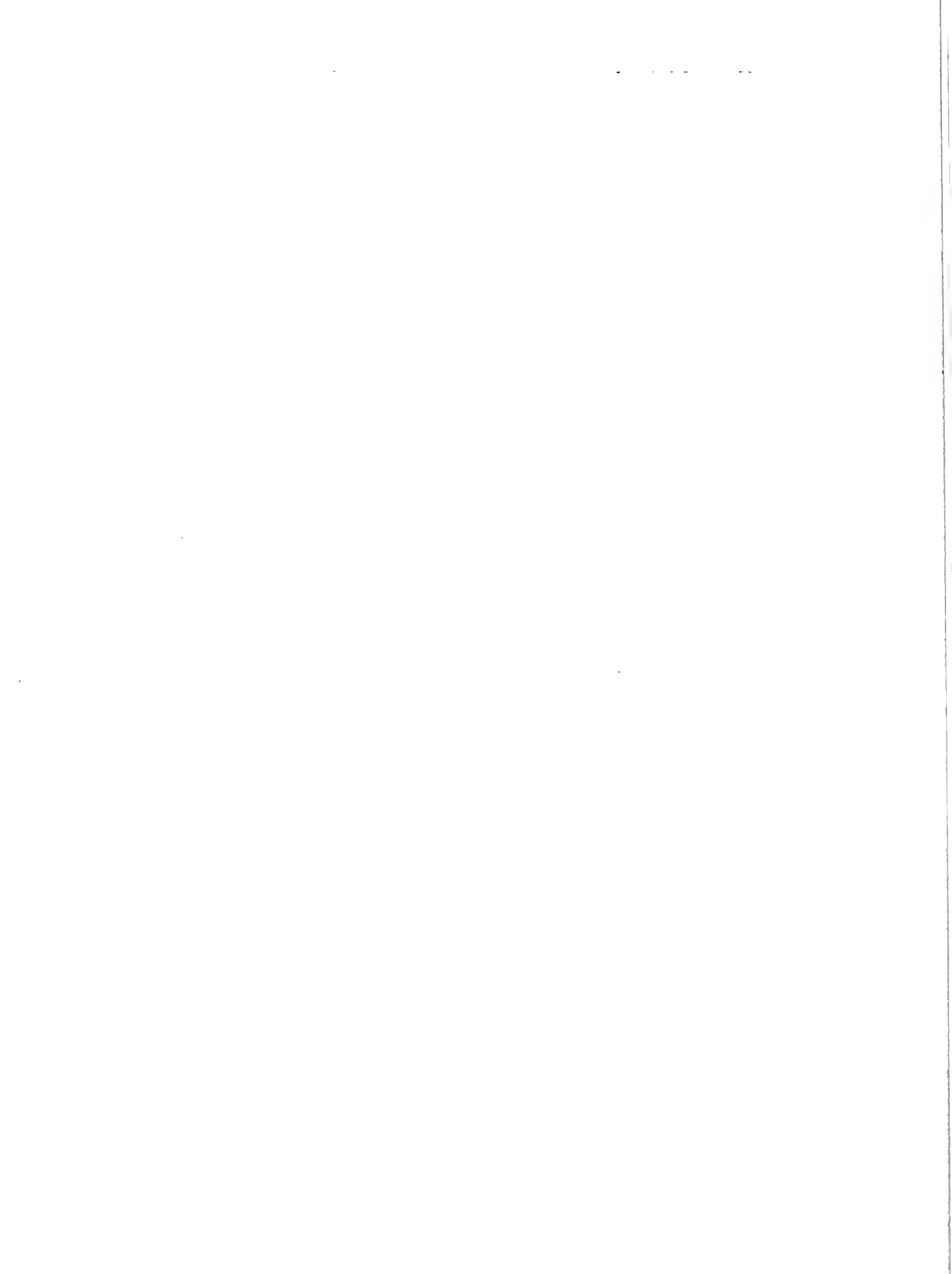
In most grant programs, other than public assistance, there is some sort of fixed allotment which is based on the proportion of population, by classes such as urban or rural, or on the land area, or on population and per capita income, with a matching requirement fixed either at a certain percentage, such as half, or varied with per capita income. A few grants are put on a project basis, the extent of the federal contribution being determined entirely by the administrator who weighs the merits of the various requests for funds. Among grants distributed under an allotment formula are the long established aids to highways, vocational education, agricultural research and extension, and most of the money for public health. The discretionary grants are mostly small ones, such as part of the child welfare money and the federal grants to state marketing services.

2. This is not true for the grants under the Morrill Act and its successors for resident instruction in agriculture, the mechanic arts, agricultural extension and agricultural research.



Thus in order to take advantage of federal assistance there must generally be a given level of state expenditure for a certain purpose, and there is to this extent a sort of bonus for undertaking expenditure in the aided directions and not in others.

The result of the various apportionment formulas is a very rough sort of equalization by which very poor states get somewhat more assistance, both in terms of the proportion of the total state and local expenditure supported from federal grants and in terms of per capita grants, than most of the wealthier states. Illinois and the whole East North Central group, Ohio, Indiana, Michigan and Wisconsin, which are average or slightly higher in per capita income, receive federal aid to the extent of just under ten per cent of the total state and local tax revenue of each state, whereas the national average of states is thirteen per cent. New York, New Jersey and Pennsylvania, which are above the national average receive distinctly less federal aid in proportion to total state and local tax revenue, or about seven to nine per cent. On the other hand, the South Atlantic states as a group and the Eastern and Western South Central states, which are well below average per capita income, if Maryland and Delaware are omitted, receive assistance from the federal government which amounts to from thirteen per cent to 33 per cent of total state and local tax receipts depending on the state. On a per capita basis the results are similar. New York, New Jersey and Pennsylvania receive a sum per capita which is from 50 to 75 per cent of the national average, whereas the Ohio, Indiana, Illinois, Michigan and Wisconsin average is from 65 per cent to 80 per cent of the national average per capita grant. By comparison, the per capita federal grant received in Arkansas is 150 per cent of the national average and that of Louisiana and Oklahoma 200 per cent. South Carolina and Georgia receive 110 per cent and 130 per cent of the national average respectively. Thus states in which state and local tax revenues are very large receive lower federal grants both in proportion to such revenue and on an absolute per capita basis. The southern and eastern states with rather low per capita incomes receive larger federal aid both in proportion to their lower tax revenues and absolutely on a per capita basis. There are peculiarities in this respect. The largest per capita grants are not in the south but in the western mountains where population is sparse and highway grants are large. Nevada has both the highest per capita income and receives per capita grants three times the national average. In the case of the southern states receiving the largest grants, the high percentage figure rises for public assistance. The state level of payments to recipients is low and the federal government therefore carries a higher proportionate share. The proportion of recipients among the population is also higher than it is in more



industrial states. In the latter states it should be noted, Old Age and Survivors Insurance is more extensive and the potential public assistance load is therefore proportionately smaller than it is in those states in which agriculture, only recently brought under the OASI system, provides a larger proportion of employment.

The allotment, however determined, is only the first step in determining the amount and the conditions of the aid which the state shall receive. In a few cases it is practically without any limiting conditions, as in the case of the aid to land grant colleges. For these an allotment is provided based on rural population, and the only requirements made are that instruction be offered in agricultural and mechanical arts and that an annual report to the Office of Education be made. There is no matching requirement. In agricultural extension, as the sums advanced have increased, the matching requirement has been kept for the older parts of the grant but removed for the increased sums which have been made available since. There are a variety of requirements among which perhaps the most important is that the money may not be used for resident instruction. On the other hand, the program within the general field of agricultural extension is left to the states.

With the federal grants to highway construction, more elaborate requirements began to be made. States were required to designate seven per cent of their existing roads as portions of an interstate system and federal aid was to be limited to the roads so designated. There must be a state agency to construct and maintain the system. Construction standards must be developed for the general system and for each project. Tolls might not be charged on aided roads. All of these elements from the designation of interstate routes to the construction design for particular construction projects were subject to approval by the Bureau of Public Roads. During and after construction aided mileages were subject to inspection and audit. The states were required to advance the costs of construction and were reimbursed as roads were completed.

Since federal aid covered only construction, states were largely free of requirements except those required by construction itself--the designation of routes, the design of projects and letting of contracts, the execution of the contracts. Maintenance was required to be at a satisfactory standard, but this did not result in a detailed regulatory system. It should be noted, however, that construction is continuous: the roads are never built, but always being built, and relationships based on construction are therefore continuous.

With the Social Security Act a still more extensive set of requirements came into being. In the social security program money was spent continuously, being distributed to millions of persons in rather small amounts. There was no series of grant projects which could be separately approved and executed. Attention must therefore be given to the details of daily administration if effective control was to be maintained. Direct observation of more than a minute proportion of the payments made was obviously impossible. The statutes setting up the Social Security public assistance programs therefore require not only that aided services be made available according to certain standards but that the states set up adequate administrative organization and adequate working procedures. The policy to be carried out is specified in part by setting limits on the age of persons to receive assistance, on residence requirements, and on the resources of aided persons--only the needy were to be helped, to the extent of providing necessities. In addition, there are administrative requirements--there must be a single state agency to administer the service, proper records must be kept, administrative procedures must be developed and approved, officers and employees must be competent and hired on a merit basis. Once the plan of administration is filed it must be kept up to date and annual budgets must be negotiated and approved. As in highways there must be inspections and audits.

Of all of the federal programs, probably the tightest controls are in employment security--that is the unemployment compensation and public employment offices system. There are requirements as to the state law setting up the system--the conditions of eligibility for benefits, the extent of coverage, the computation of contributions and benefits, the causes of disqualification. In addition, the federal government pays the whole administrative cost and requires a detailed budget so that every item of expenditure must be accounted for in the budget and possibly disapproved. Contributions received from employers must be deposited in the federal treasury, except for amounts currently required to pay benefits.

Thus, the whole federal grant-in-aid system operates by the submission of proposals and their approval or disapproval. Some of the conditions of approval or disapproval are set out in the governing statutes which made the aid available and some are left to administrative regulation. Obviously the system requires a lot of negotiation between federal and state officials. There are many different federal agencies charged with the administration of grants, though the bulk of grants are extended through the subordinate units of the Department of Health, Education and Welfare. Most federal agencies adminis-



tering grant programs maintain field offices in various cities, and it is through these that negotiations are carried with state and local officials. Inspections and audits are also carried out through field offices. In a few cases there are no field offices and all the work is concentrated in the Washington office.

The significance of the whole paraphernalia of control rests rather on its operation however, than on its mere existence. It can obviously be used so as to limit and harass the operations of state officials who are made partially dependent by the grants. On the other hand, the whole set of procedures of plans and approval might be mere forms which do not seriously interfere with anything that the state officials might wish to do. When the Social Security Act was new and when the first legislative efforts of states in new fields of welfare work took forms which seem somewhat strange to us today, representatives of the Social Security Board and the Children's Bureau were often required to take a strong stand as to what was permissible and what was not under federal law and regulations. In the absence of any group of persons in the states with much knowledge or experience in the new field of action, there was heavy reliance on the federal staff as expert advisers in the drafting of legislation as well as in setting up administrative organization and procedure. At this time there might have been something like federal dominance of state legislative and administrative action. As the new agencies got under way there were occasional attempts to use the positions created in them and the payments they made as spoils in party warfare. Such attempts were repulsed by the threat of withdrawing grants or even the actual withdrawal of grants for brief periods.

At the present time, relations between the state government and the federal overseers would seem to be on a very different footing. The close correspondence between state policies and federal requirements at least in Illinois seems to be as much due to the acceptance by representatives of both governments of a similar view as it is to coercion. The standards of federal and state officials seem to be very similar whether it is an engineering question as in highway construction or a matter of public welfare policy. Consequently the annual negotiations seem to be amiable. There is little complaint of federal dictation. The work of inspection is viewed as a matter of training and education and the exchange of experience. There seems to be a reasonable allowance for the peculiarity of conditions within the state.

The final result of the forms of federal initiative in state affairs is to produce a kind of collaboration between governmental officials of both state and federal governments. Federal officials in granting agencies are a source of information and advice, much of which is based on the experience of other states. They provide a source of support against pressure that would divert programs from purposes which were originally sponsored by the federal government, but which now have strong support within the state. Unlike higher level state officials, federal officials in the field offices are relatively aloof from the minor play of party politics, though not from the great changes in emphasis that may accompany a change in the presidency. Whether this results in a serious lessening of state control over the aided functions, a diminution of the effective responsibility of state political leaders, we shall examine in a later section.

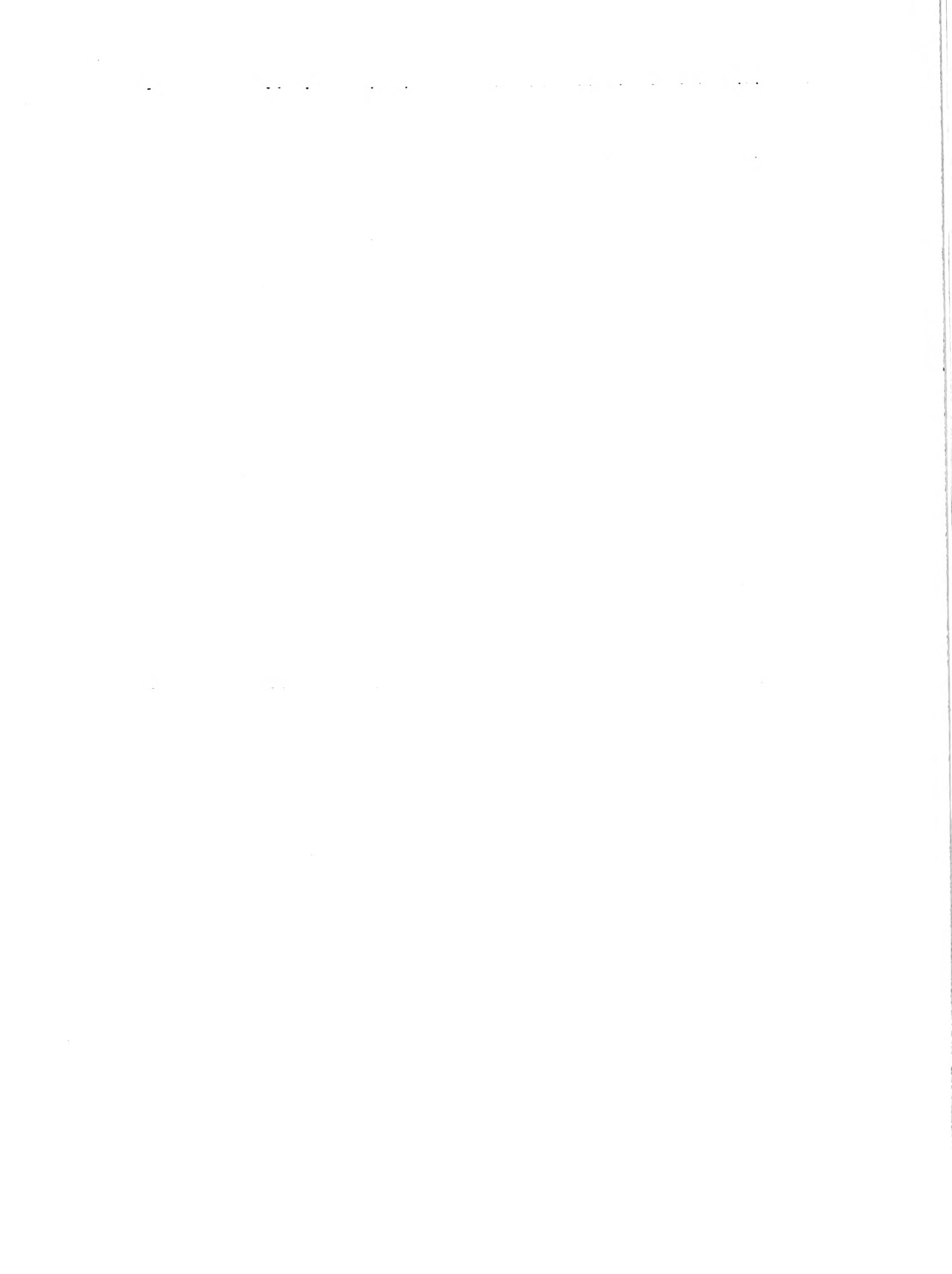
To complete our brief sketch of relationships under the grant-in-aid system, it is necessary to say that relationships are by no means limited to the direct negotiations between state officials in aided programs and the representatives of federal departments. In many cases, state and federal officials are members of the same professional organizations and may be members of committees charged with considering problems affecting both state and federal policies. The associations of state officials in various fields help to prepare proposals for legislation affecting aided activities which are submitted to Congress. Individuals and groups affected by the various federal programs push their own measures before Congress and the state legislatures.

Organizations such as the Council of State Governments, which represent the elected officials rather than the appointed and often semi-permanent administrative officers of the grant-receiving agencies, also develop legislative proposals. Representatives and Senators in the Congress of the United States pursue the claims of their constituents in the grant administering agencies as they do in all other federal agencies. Governors make direct requests of the heads of federal departments. In these ways the state governments directly and indirectly affect the policies which federal agencies are pursuing. In turn, by their influence on public opinion and on Congress as well as in direct negotiation, the federal agencies no doubt influence the policies which state agencies pursue. The grant-in-aid system cannot be separated from the general context of politics in the United States in which the work of policy making by local governments, state governments, and the federal government is inextricably, if informally, interwoven.

Federal Grants and State Finance in Illinois

The origin of federal grants to support various state activities in Illinois long precedes the current discussions of the welfare state. The first continuous annual grants to the states, as opposed to the grants of public lands and the pre-Civil War distribution of treasury surpluses, were the grants to the state University under the Morrill Act of 1890. We shall begin this account of federal grants and the state fiscal system with the year 1921. By that time Illinois was receiving federal grants for highways, extension work, resident instruction and research in agriculture, and vocational education. For a brief period after 1918, there was a grant for venereal disease control, an outcome of mobilization in the first world war. In 1921, state income from all sources totalled approximately 43 millions of dollars. Of this sum, five million, or approximately twelve per cent, was from federal grants. The rest came from the general property tax, or taxes in lieu of property taxes, such as the gross revenue tax on the Illinois Central Railroad, and from license fees and taxes, including motor vehicle licenses. The largest federal grant was for highway construction; and other grants received in that year were for vocational education, the care of veterans in state hospitals and veterans homes, and for venereal disease control. In 1922, grants for vocational rehabilitation were added. Not until 1934 were there any new grant programs or any new forms of assistance.

In the twelve years from 1922 to 1934 state revenues grew enormously, as new taxes, such as the motor fuel tax, and later the retailer's occupational excise tax, were added. By 1934, state revenues totalled 200 million dollars. Federal aid increased at a less rapid rate, fluctuating between four and nine per cent of total state income during the period, depending on the extent of highway aid. The highest point reached by grants in that period was eleven per cent of all state income, in 1924, when highway grants were particularly large. Since federal aid was available only for construction of highways but not for maintenance, state expenditures on highways tended to increase faster than the federal grants which covered approximately fifty per cent of construction costs. The principal increases in state expenditure were for highways, including payments to local units for highway purposes, aid to the public schools and for state welfare institutions, largely hospitals for mental illness and homes for the mentally deficient. There were several state bond issues in this period, the receipts from which are not included in the table of revenues, which largely financed highway construction and the issuance of a gratuity to veterans of World War I.



The rapid increase of state expenditure and of state revenues which had occurred in a prosperous decade only accelerated with depression and war. The depression led to greatly increased responsibility in public welfare. The state's share of highway and school expenditure also continued to grow. A portion of this increased expenditure was met by very great increases in state tax collections, largely from new sources -- the retailer's occupational excise or sales tax, a tax on public utility gross receipts, increases in the cigarette tax, and the tax on alcoholic beverages. There was also an increase in federal aid, at first on an emergency basis and then as part of a permanent policy in the Social Security Act of 1935. It was only with the coming into effect of the Social Security Act that the proportion of federal grants to all state revenue changed markedly. In the earlier depression period much of the federal expenditure for relief was for work relief under local sponsors and much of the federal expenditure for public works was similarly through local units. The grants to the state for public works were much smaller than the highway grants of the depression period, though these considerably increased after the temporary reduction of 1931. By 1935, federal grants amounted to about ten per cent of all state income and by 1942 had increased to about 14 per cent of all state tax revenue.

Once the Social Security Program was in operation, an increasing proportion of state expenditures for public assistance was met by federal grants. By far the largest expenditure was for old age assistance. Illinois did not pass the necessary legislation to participate in grants for aid to dependent children until 1941, and grants for blind assistance began also in that year. The state had earlier had its own programs in both fields, but since these did not meet federal standards, no federal assistance was available until new legislature came into force in 1941. Although state expenditures fell somewhat in the war years, federal grants continued at a steady rate and there was a slight increase in the share which they constituted of all state revenue. With the war over, however, there was a new expansion of grant-in-aid programs. A new category was added to the public assistance field--that of total disability. New grants were made available for hospital construction and urban redevelopment. Aid to schools in federally affected areas was put on a more systematic basis. The grants for public health activities were revised and some new categorical programs added. Small sums were made available for wildlife conservation and forest development. There were also grants for public works planning which began as part of an effort to create a backlog of projects which could be available quickly in case of a major depression.

The effect of these new programs plus a larger federal participation in older ones, such as public assistance, was to continue the increase in the proportion of state expenditure represented by federal subsidies. From 1938, until the present, the proportion has varied between 16 and 19 percent. This increase should not obscure, however, the enormously rapid increase of state revenue. In the current fiscal year they will approach a billion dollars.³ Except for the assumption by the State of responsibility for public assistance, the character of state activity has not changed substantially since 1921, but the scale has increased greatly especially in highway expenditure and in aid to local school districts for educational purposes. As in the expansion of state expenditure at the time of the depression, the post war expansion has been met largely through increased tax revenues. There have been no new taxes, but old ones have substantially increased, especially motor vehicle licenses and motor fuel taxes, and more recently the sales tax. Apart from such increases in rates, the steady expansion of the economy and the rise of prices have greatly increased the yield. Over the whole period from 1921 to the present, federal aid has increased about 20 times in amount, state revenues about 16 times.

The great bulk of federal grants is accounted for by grants for public assistance and public assistance administration, highway construction, vocational education and vocational rehabilitation, and public health, in that order. In these fields federal grants approximate about half of the total expenditure by the State Government of Illinois. The largest state expenditures in which there is little or negligible federal participation are the general grants to local school districts and in the operation of the mental hospitals and institutions for the mentally retarded. Thus federal grants underwrite some of the most expensive tasks of state government, but leave others almost entirely to state support.

3. Current fiscal year 1957-58.

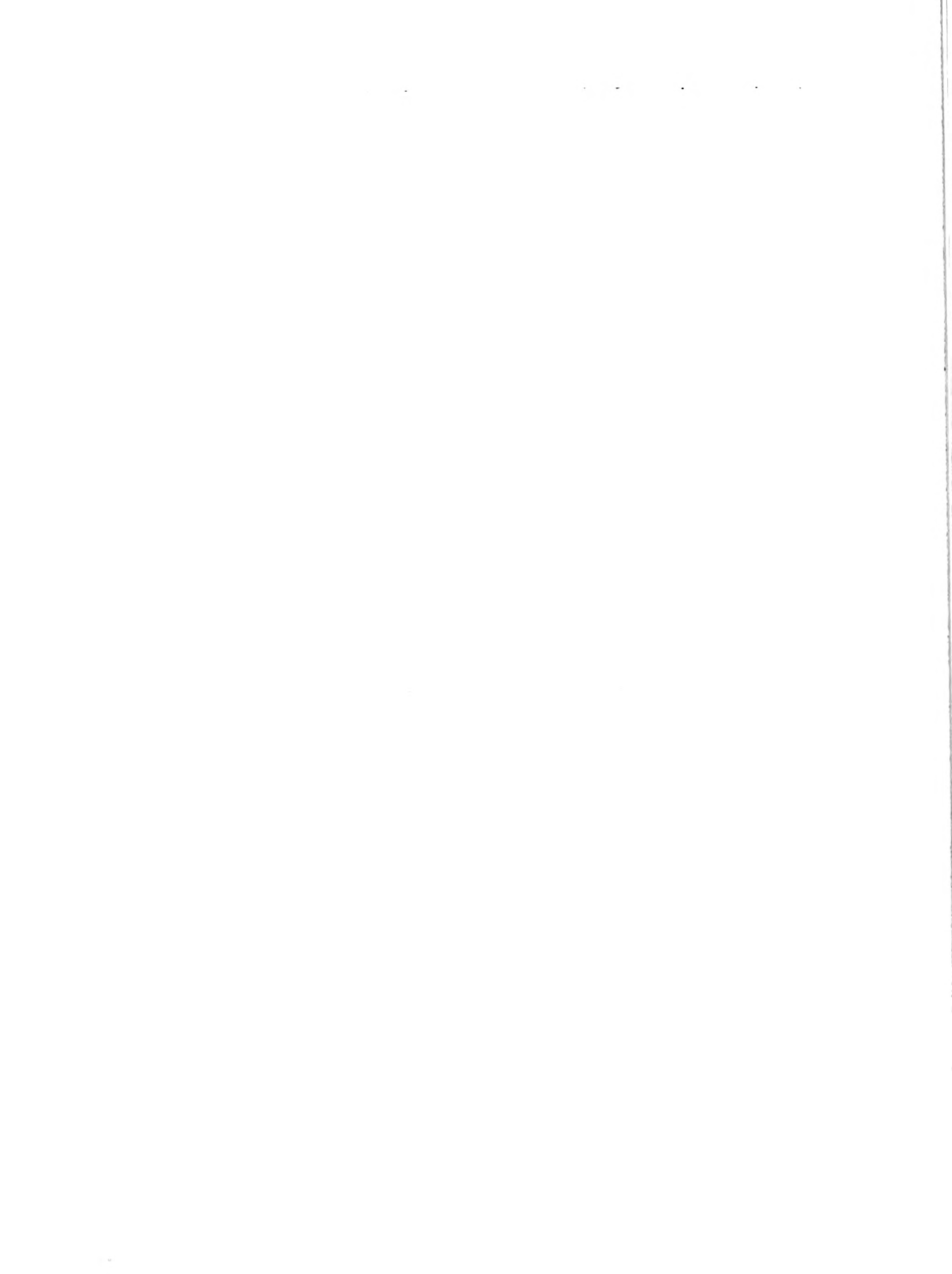


Table 1 - I

Revenue All Funds State of Illinois Including Federal Grants
In Aid

[Dollar figure to nearest thousand]

	Total Revenue <u>All Funds</u>	<u>Federal Grants</u>	Percentage of Total Revenue <u>from Federal Grants</u>
1921	\$ 43,195,000	\$ 5,013,000	11.6%
1922	43,935,000	445,000	1.0
1923	51,642,000	1,256,000	2.4
1924	50,872,000	5,541,000	10.9
1925	55,857,000	4,400,000	7.8
1926	72,298,000	2,858,000	4.0
1927	76,970,000	3,155,000	4.1
1928	78,013,000	3,752,000	4.8
1929	68,591,000	6,423,000	9.4
1930	88,433,000	2,650,000	3.0
1931	118,605,000	6,226,000	5.2
1932	104,760,000	9,701,000	9.2
1933	113,728,000	7,061,000	6.2
1934	125,681,000	8,126,000	6.5
1935	144,576,000*	14,497,000	10.0
1936	165,606,000	11,164,000	6.8
1937	213,050,000	30,045,000	14.1
1938	222,121,000	29,910,000	13.5
1939	221,599,000	28,891,000	13.0
1940	241,266,000	32,343,000	13.4
1941	253,851,000	36,748,000	14.5
1942	293,253,000	42,634,000	14.5
1943	274,179,000	47,207,000	17.2
1944	276,730,000	51,682,000	18.7
1945	269,574,000	37,122,000	13.8
1946	310,400,000	42,642,000	13.7
1947	395,224,000	52,866,000	13.4
1948	453,026,000	70,750,000	15.6
1949	490,513,000	84,933,000	17.2
1950	506,411,000**	96,830,000	19.1
1951	525,801,000**	92,000,000	17.5
1952	588,112,000**	98,922,000	16.8
1953	654,648,000**	107,710,000	16.4
1954	695,654,000**	110,435,000	15.9
1955	705,507,000**	113,454,000	15.8
1956	802,367,000**	122,520,000	15.3

Source: Annual and Biennial Reports of State Auditor of Public Accounts, State Treasurer and State Department of Finance: years cited.

* Including Retailers Occupational Tax and Public Utilities Tax paid under protest.

** From Department of Finance Reports not reconciliable with totals arrived at by addition of revenues of separate funds as reported by Treasurer and Auditor, used in previous years. Income of revolving funds and of funds for which State is a trustee (common school funds, unemployment compensation, trust funds, employee retirement funds,

Table 2 - I

Receipts in Illinois State Treasury for Federal Aid for Selected Years
 [In thousands of dollars -- items shown as percent of total and for years shown]

	1921		1926		1931		1936	
	\$	%	\$	%	\$	%	\$	%
Highways	4,673	92.6%	2,026	71.0%	5,443	87.0%	9,760	95.8%
Education (Morrill Act)	50	1.0	50	1.7	50	0.8	70	0.68
Vocational Education	188	3.7	403	14.0	443	7.0	428	4.2
Vocational Rehabilitation			48	1.7	98	1.6	138	1.4
Institutional Care, Veterans	102	2.0	331	12.0	218	3.5	211	2.07
Public Health	33	0.65*					68	0.66
Emergency Public Works							245	2.39
Employment Security							244	2.39
Public Assistance								
Child Welfare Services								
Forests	NA							
Wild Life								
Agricultural Marketing Services								
Airports								
Hospital Construction								
School Milk								
School Lunch								
Civil Defense								
National Guard	NA		NA		NA		NA	
	5,046	100%	2,858	100%	6,252	100%	10,190	100%

Source: Annual and Biennial Reports of State Auditor of Public Accounts, State Treasurer and State Department of Finance: years cited.

* for biennium

NA for years grants made, but no reliable figures available

BLANK SPACES indicate no grants made for that year

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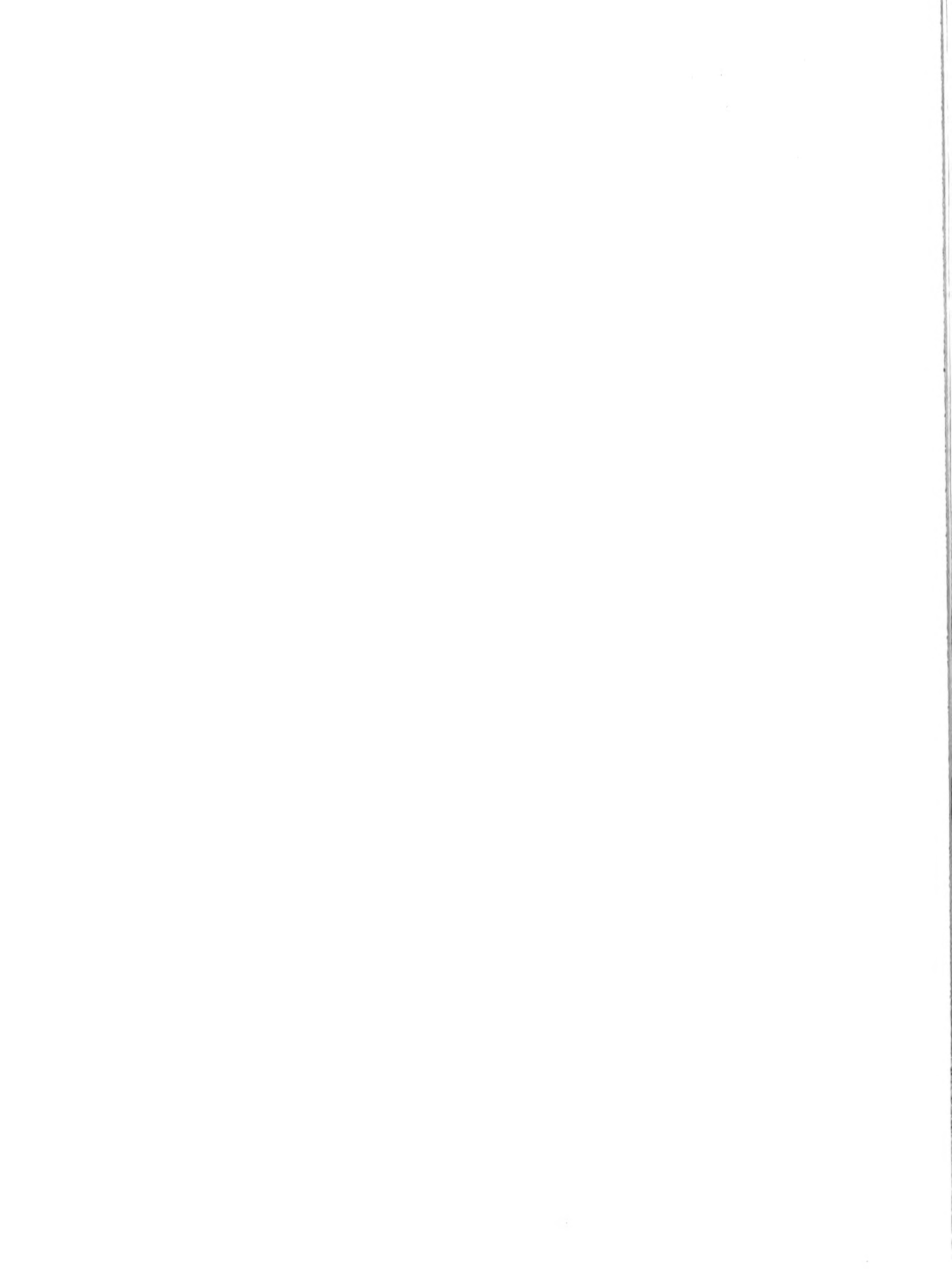


Table 2 - I (continued)

Receipts in Illinois State Treasury for Federal Aid for Selected Years
 [In thousands of dollars -- items shown as percent of total and for years shown]

	1941	1946	1951	1956
Highways	\$ 7,144	\$ 1,445	\$ 13,679	\$ 37,638
Education (Morrill Act)	21.1%	3.39%	16.7%	30.5%
Educational Education	0.48	0.37	0.19	**
Vocational Rehabilitation	321	1,003	3,662	1,574
Institutional Care, Veterans	123	398	1,184	1,486
Public Health	322	385	1,033	779
Emergency Public Works	672	3,444	2,080	2,558
Employment Security	378			
Public Assistance	4,895	4,442	8,904	10,296
Child Welfare Services	19,665	31,321	46,345	60,589
Forests	47	20	188	195
Wild Life	NA	8	25	18
Agricultural Marketing Services	NA	NA	NA	510
Airports	NA	NA	724	29
Hospital Construction	NA	NA	1,619	556
School Milk	NA	NA	NA	3,777
School Lunch	NA	NA	2,366	2,510
Civil Defense	NA	NA	NA	253
National Guard	NA	NA	120	NA
	33,730	42,622	82,100	122,517
	100%	100%	100%	100%

Source: Annual and Biennial Reports of State Auditor of Public Accounts, State Treasurer and State Department of Finance: years cited.

* for biennium.

** less than one hundredth of one percent

NA for years grants made, but no reliable figures available

BLANK SPACES indicate no grants made for that year

Table 3 - I

Federal Aid to Illinois and to the Ten Least and Ten Most Wealthy States

Ten Most Wealthy States Per Capita Income

Rank	Per Capita Income 1952	Per Capita Federal Grants	States ranked by grants received Per Capita
1. Delaware	\$ 2260	\$ 15.74	38
2. Nevada	2250	52.99	1
3. D. C.	2129	7.77	49
4. Connecticut	2080	10.79	46
5. New York	2038	13.01	42
6. California	2032	21.47	18
7. Illinois	1983	13.62	40
8. New Jersey	1959	8.75	48
9. Ohio	1881	18.81	43
10. Michigan	1815	14.67	37

Ten Least Wealthy States Per Capita Income

		\$	
37. Oklahoma	\$ 1285	34.99	3
38. South Dakota	1258	29.47	8
39. West Virginia	1232	19.31	23
40. North Dakota	1223	28.28	9
41. Louisiana	1206	35.77	2
42. Georgia	1137	23.43	16
43. Kentucky	1135	18.76	24
44. Tennessee	1126	19.33	22
45. South Carolina	1099	19.377	21
46. North Carolina	1049	13.99	39
47. Alabama	1012	18.63	25
48. Arkansas	951	26.18	12
49. Mississippi	818	19.53	20

United States Average

1639

\$ 17.19

Source: United States Commission on Intergovernmental Relations, 1953.

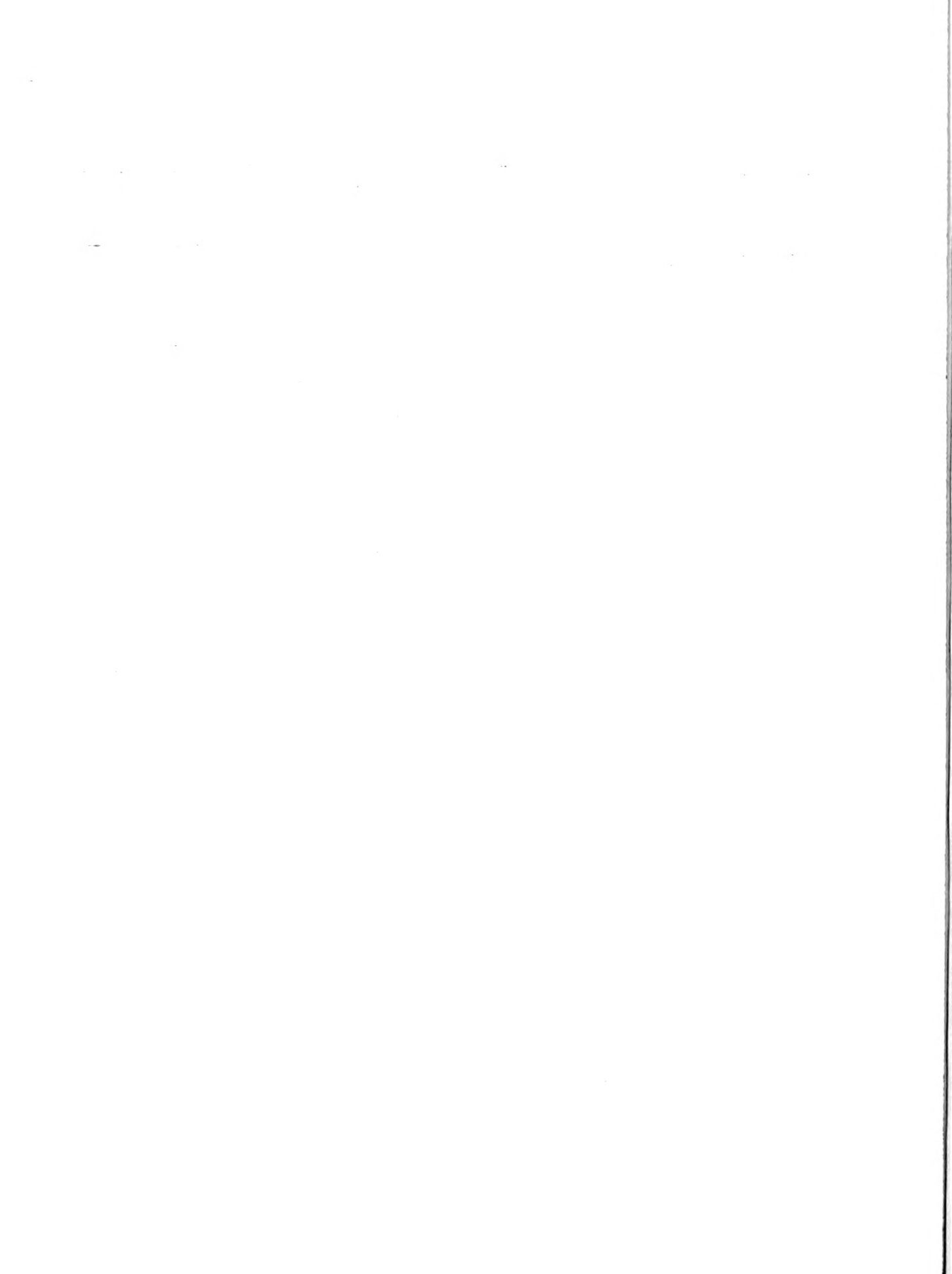


Table 4 - I

 Top States in Federal Per Capita Grants Received

<u>States ranked by total grants per capita</u>	<u>Per capita grants</u>	<u>Ranked by Income per capita</u>
1. Nevada	\$ 52.99	2
2. Louisiana	35.77	41
3. Oklahoma	34.99	37
4. Colorado	31.88	21
5. Wyoming	31.60	22
6. New Mexico	30.76	6
7. Montana	30.26	7
8. South Dakota	29.47	38
9. North Dakota	28.28	40
10. Utah	27.57	30
11. Arizona	26.68	27
12. Arkansas	26.18	48
United States Average	\$ 17.19	

 Source: United States Commission on Intergovernmental Relations, 1953.

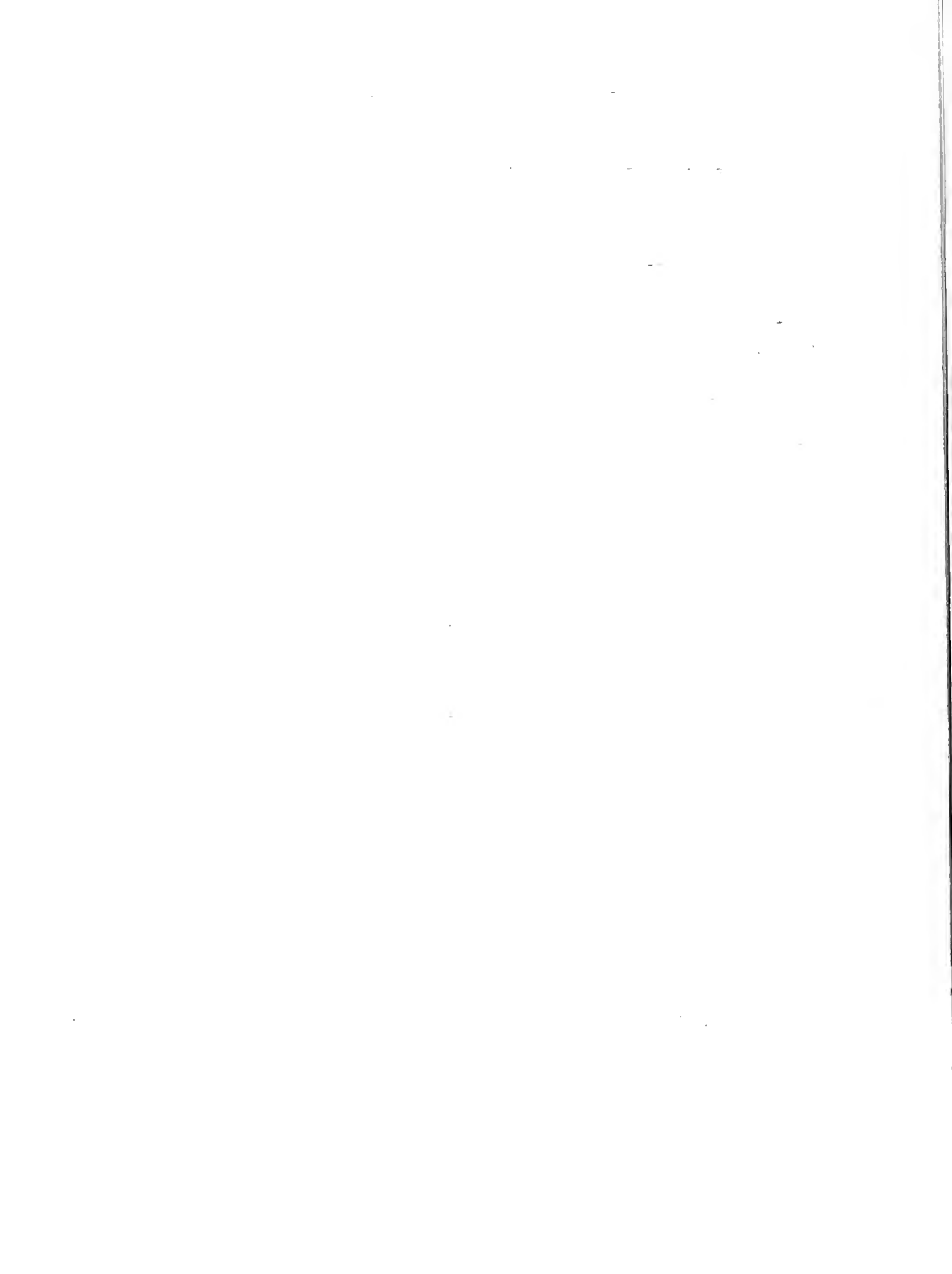


Table 5 - 1

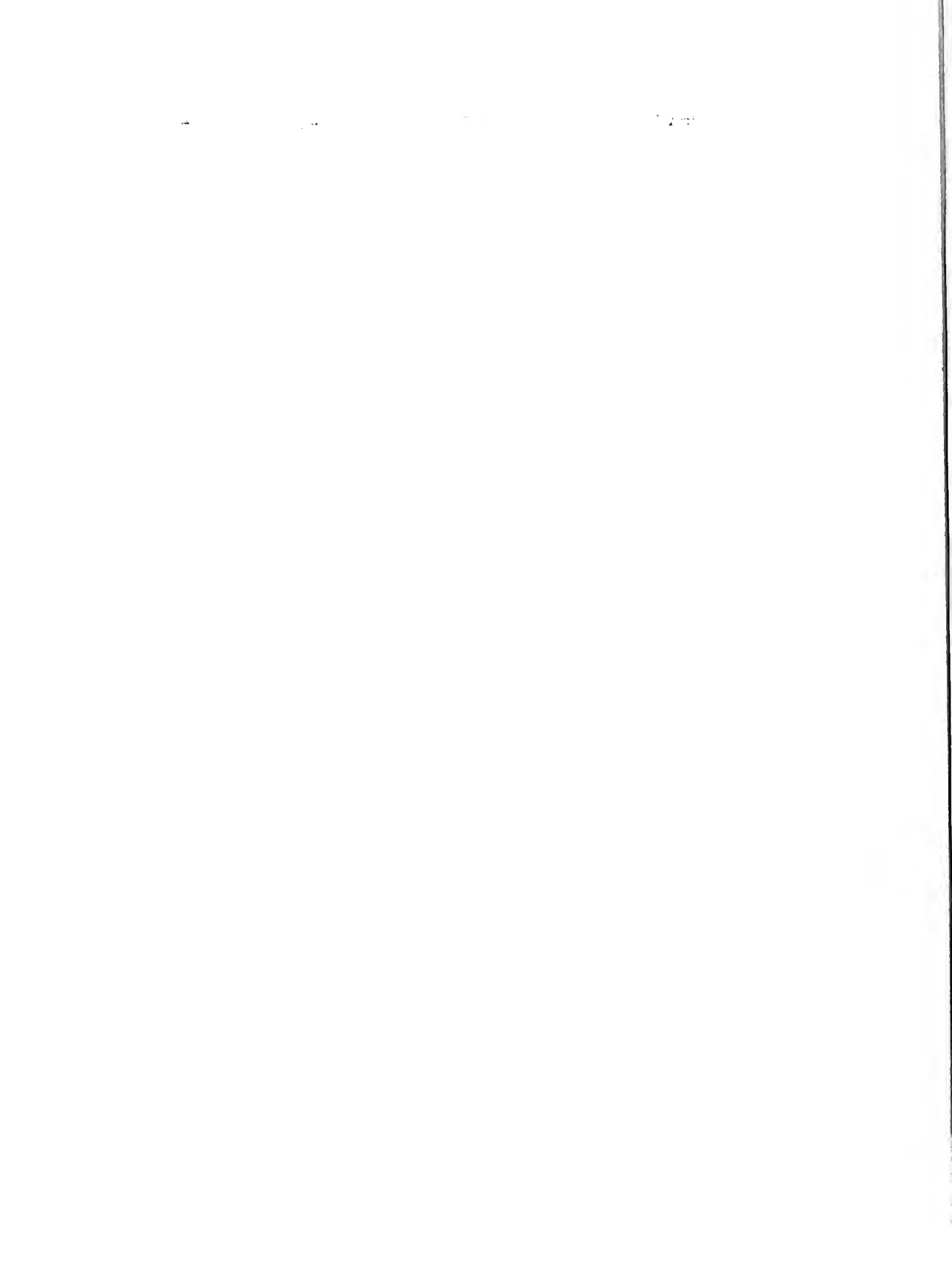
Top States in Federal Grants per capita by Grant
Program

<u>Rank</u>	<u>Highways</u>	<u>Amount per capita</u>
1	Nevada*	\$ 28.86
2	Wyoming	15.73
3	North Dakota**	14.24
4	South Dakota	13.95
5	Montana	12.37
6	New Mexico	11.32
7	Utah	9.94
8	Idaho	9.25
9	Arizona	7.43
10	Delaware*	6.89
United States Average		3.22
32	Illinois	3.09
<u>Old Age Assistance</u>		
1	Louisiana**	18.38
2	Oklahoma**	17.07
3	Colorado	14.56
4	Missouri	11.50
5	Washington*	9.15
6	California*	9.09
7	Arkansas**	8.45
8	Texas	8.25
9	Georgia	8.12
10	Massachusetts	7.78
United States Average		5.66
37	Illinois	4.30
<u>Aid to Dependent Children</u>		
1	West Virginia**	\$ 5.89
2	Oklahoma**	5.18
3	Louisiana**	4.98
4	New Mexico	3.98
5	Kentucky**	3.50
6	Arkansas**	3.44
7	Tennessee**	3.19
8	Arizona	2.95
9	California*	2.95
10	Maine	2.93
United States Average		2.11
25	Illinois	1.88

Source: Report of the President's Commission on Intergovernmental Relations

* One of top twelve states in per capita income

** One of bottom twelve states in per capita income



CHAPTER II

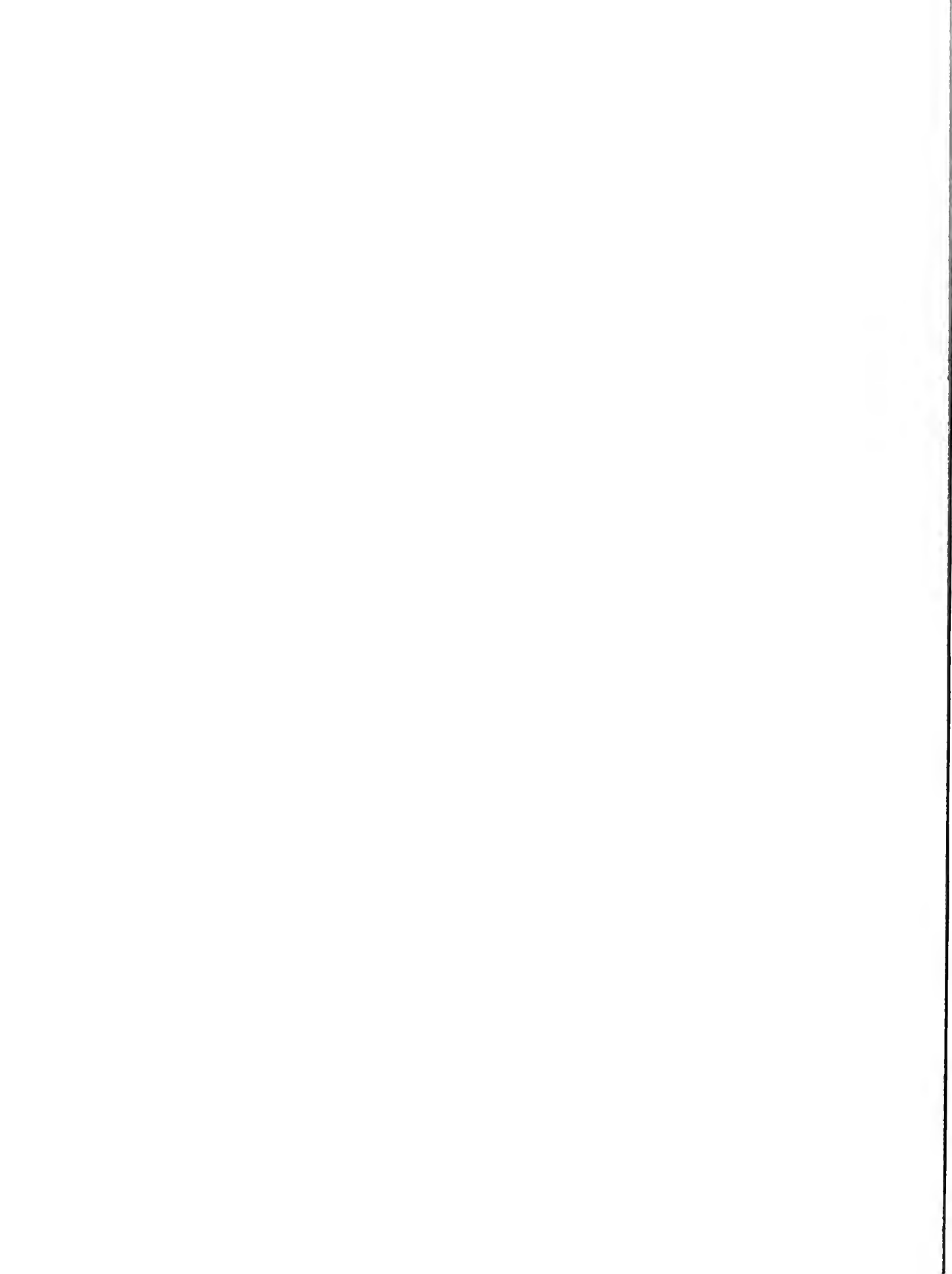
HIGHWAYS AND AIRPORTS

Highways became one of the major objects of state expenditure in Illinois as early as 1914 when a state highway network was being constructed under a system of state aid to county highway departments. In 1916 the first act providing federal aid for highway improvement was passed and the Illinois program was then adapted to federal aid. Highway construction became the responsibility of a division which was the Department of Public Works and Buildings created by the Civil Administrative Code in 1917. The fundamental policies as to state-federal relationships in highways were set out in the 1921 Federal-Aid Road Act. By this time the state highway division was carrying out construction and maintenance activities on the primary system directly rather than relying on the counties under the state-aid state supervision arrangements of the early period.

The general policy of federal aid for highways begun in 1914 coincided with the policy already in effect in Illinois, the promotion of a statewide road network, a network which would serve the needs of interstate as well as intrastate traffic. One of the requirements for federal aid was that aided roads be built and maintained by a state highway department rather than by local units. The states were further required to designate a primary system, chosen from the most heavily travelled rural roads, up to a total of seven per cent of the total state rural network.¹

Once this initially designated federal-aid road system was improved additions might be made to it. Since 1936 the states have been authorized to designate secondary systems, or farm-to-market roads, which were also eligible to receive federal aid. In 1944 the amount of federal money available for this purpose was substantially increased. In that year also, aid was given for the first time for urban extensions of aided roads. Finally, a further classification has been added for those roads which are to receive special attention. These are the roads in the interstate system designated by the Bureau of Public Roads, under the 1944 act, because of their key place in the nation's transportation system in times of emergency. Nationally, about 38,000

1. Rural roads are those outside incorporated places. In recent years federal grants have been available to meet the costs of so called "urban extensions of the primary system", and the state highway department has the responsibility for maintaining such roads even within city limits.

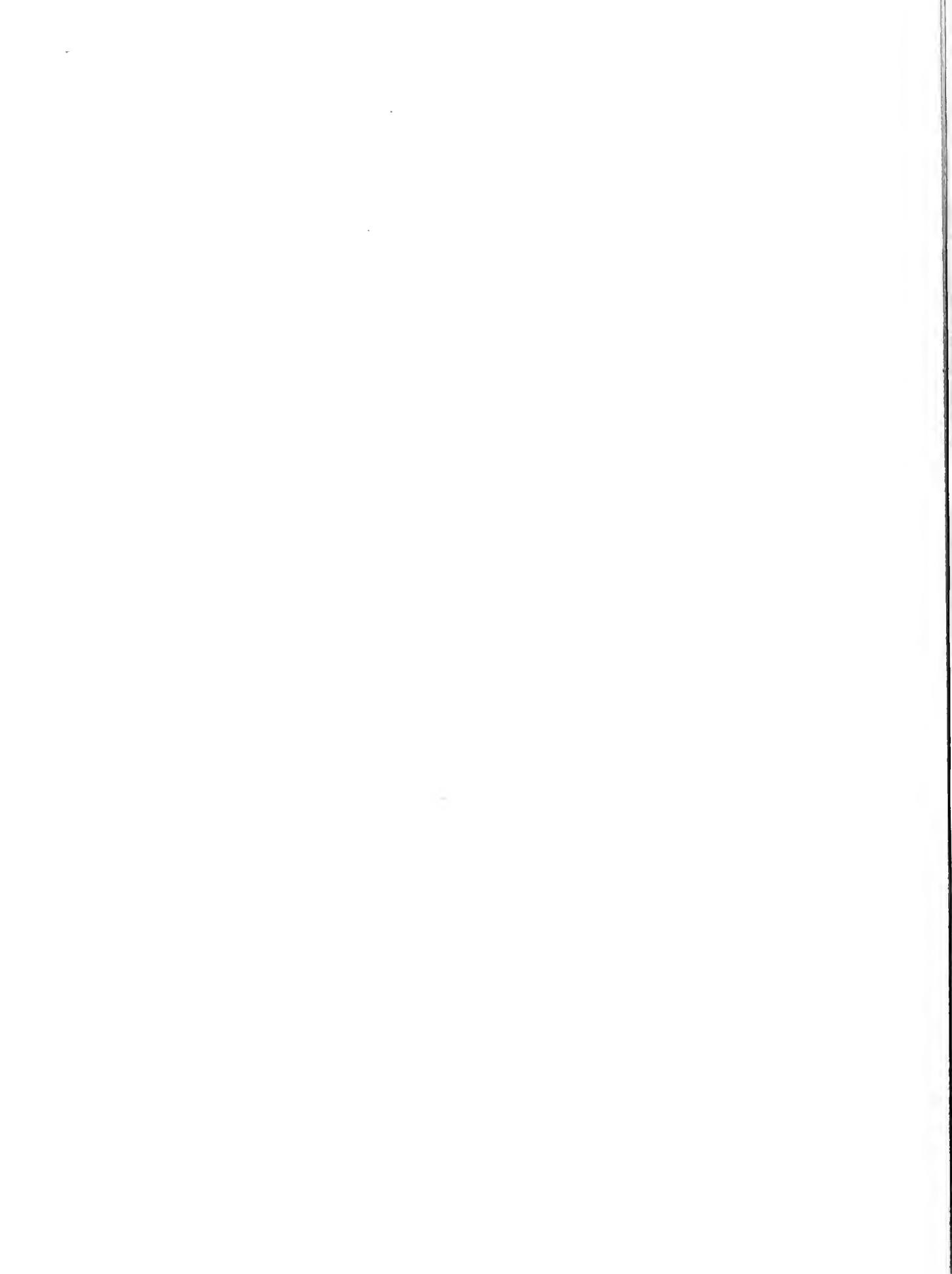


miles out of 642,000 miles of federally-aided highways are in this classification.

The amount of federal aid available to a state for highway construction and improvement is determined by various allotment formulas. For the primary and secondary systems, each state's share of the total annual grant for these purposes is determined by an apportionment formula which distributes grants one third on the basis of land area, one third on total population, and one third on the mileage of rural delivery and star routes. A separate appropriation is made for aid for urban portions of the primary system, and the division of this sum among the states is made on the basis of the relative share of the population in urban places of 5,000 or more. The interstate system grants are temporarily allocated among the states, one-half on the basis of population, one-half on the same basis as the grants for the federal primary system. This gives somewhat more money to the densely populated states than they would receive under the formula for primary grants alone. After July 1, 1959, grants will be based on the estimated cost of improvement of the portions of the interstate system in each state, as proposed by the Secretary of Commerce and approved by Congress by concurrent resolution. States are also required to match the federal allotment as calculated above, with an equal amount of state money, except on the interstate system. (Matching requirements are cut proportionately for states with over five per cent of their land area in unappropriated public lands).

In the federal Highway Act of 1956 the share of federal costs of the interstate system was increased to 90 per cent. Very large sums are appropriated for this purpose. In Illinois as table 6 shows, the total amounts for the interstate system will be over twice as large as the amounts available for the rest of the primary system. In the biennium 1957-59, 229.7 millions in federal aid is estimated as available for the 1800 miles of the interstate system and 113.5 million for other federal-aid roads. For the calendar year 1957, it is estimated that from federal and state sources combined, 264.2 millions will be available for the interstate system in Illinois and 102.6 millions for the rest of the federal-aid primary system.

In Illinois about 8000 of the 10,000 miles of the state primary system have been built or rebuilt with federal aid. Of the secondary roads, which total 18,000 miles, most of which are maintained by county authorities, about 6500 miles were built with federal assistance. The roads designated as part of the national interstate system in Illinois total about 1600 miles.

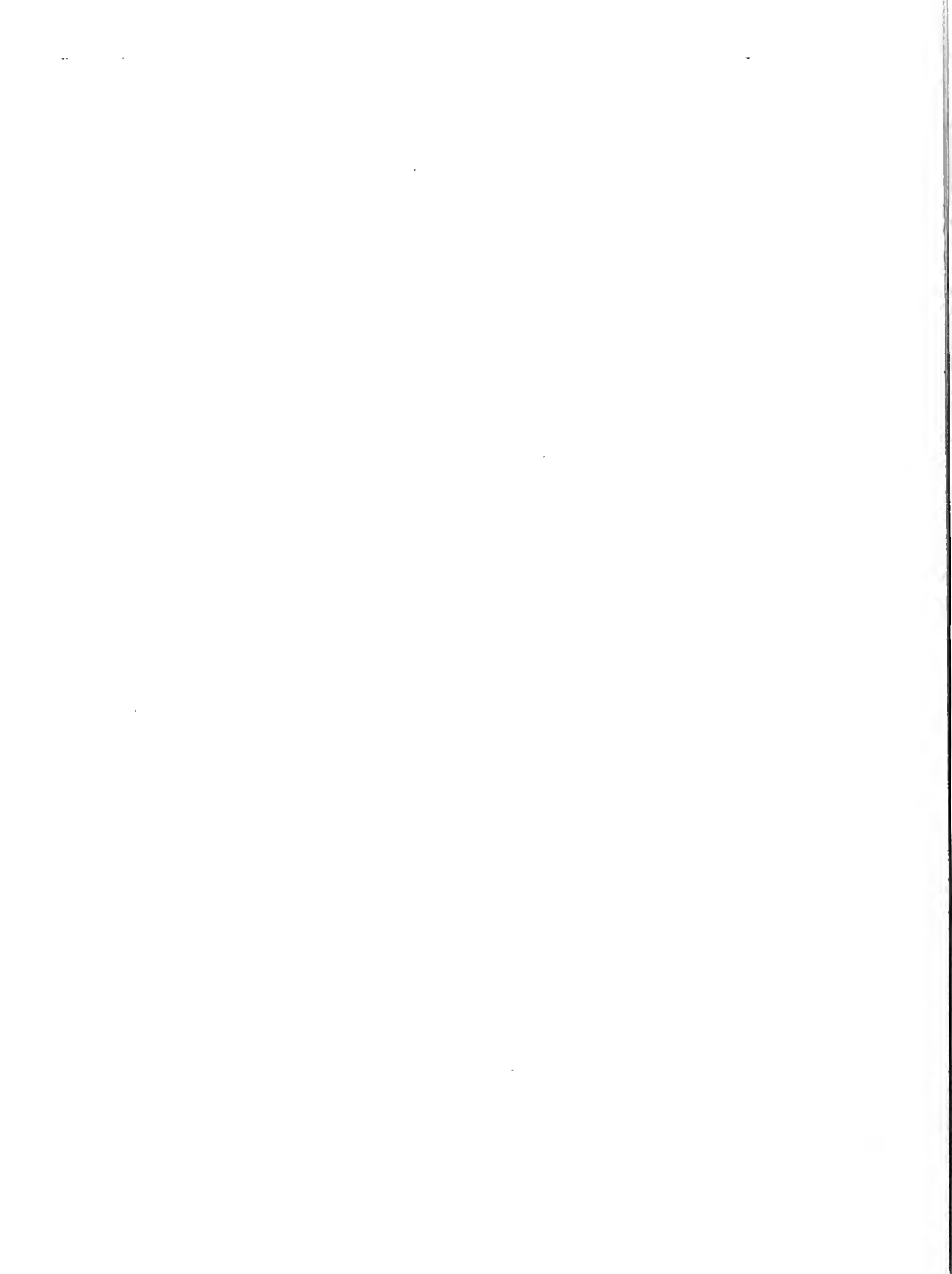


The provision for federal aid to urban portions of primary routes, and for aid to farm-to-market roads, which are under the jurisdiction of county authorities, makes for some complex and interesting intergovernmental relations in the highway field. This is especially true in a metropolitan area such as that of Chicago and Cook County, since county and municipal officials participate with federal and state officials in planning projects, and may be in charge of the letting and execution of contracts for the improvement. Thus, local, state and federal highway engineers and officials participate in the planning and execution of road improvements. The cost of these improvements in metropolitan areas, such as the Calumet expressway in Chicago, are enormous, and the complexity of their planning very great. So far, in this very technical field of highway and traffic engineering, there has been close cooperation among highway staffs of all of the governments involved, so that the resources of the three levels of government have been effectively used.

In Illinois the relationships between the state highway department and all local highway administrative units are close because of the system of distributing a portion of motor fuel tax proceeds to counties, municipalities and townships. This distribution is made under a formula fixed by the legislature which returns to each of these units a stated share of the gas tax.²

Cities and counties have received a share of motor fuel tax receipts since the earliest provision of such a tax, but not until the substantial increase in the motor fuel tax became effective in 1953 was a share given to townships. Such revenues are not provided without some measure of state control however. County plans and projects are approved in general by the state highway department, as are proposals for municipal construction using motor tax revenues. Furthermore the county highway superintendent, named by the county board of supervisors, must meet the qualifications established by the Division of Highways for holders of such positions. Township work which is carried out with the use of state funds must be approved by the county highway superintendent. This state aid going to county and township units makes up a major portion of local road funds.

2. Thirty-five per cent of net motor fuel tax receipts are used for state highway purposes, 11 per cent goes to Cook County, and 12 per cent is distributed among other counties. Incorporated municipalities receive 32 per cent of the net receipts and townships ten per cent. Distribution among downstate counties is proportioned to the share of vehicle registration fees collected on vehicles registered in those counties, among cities, by population, and among townships by township road mileage.

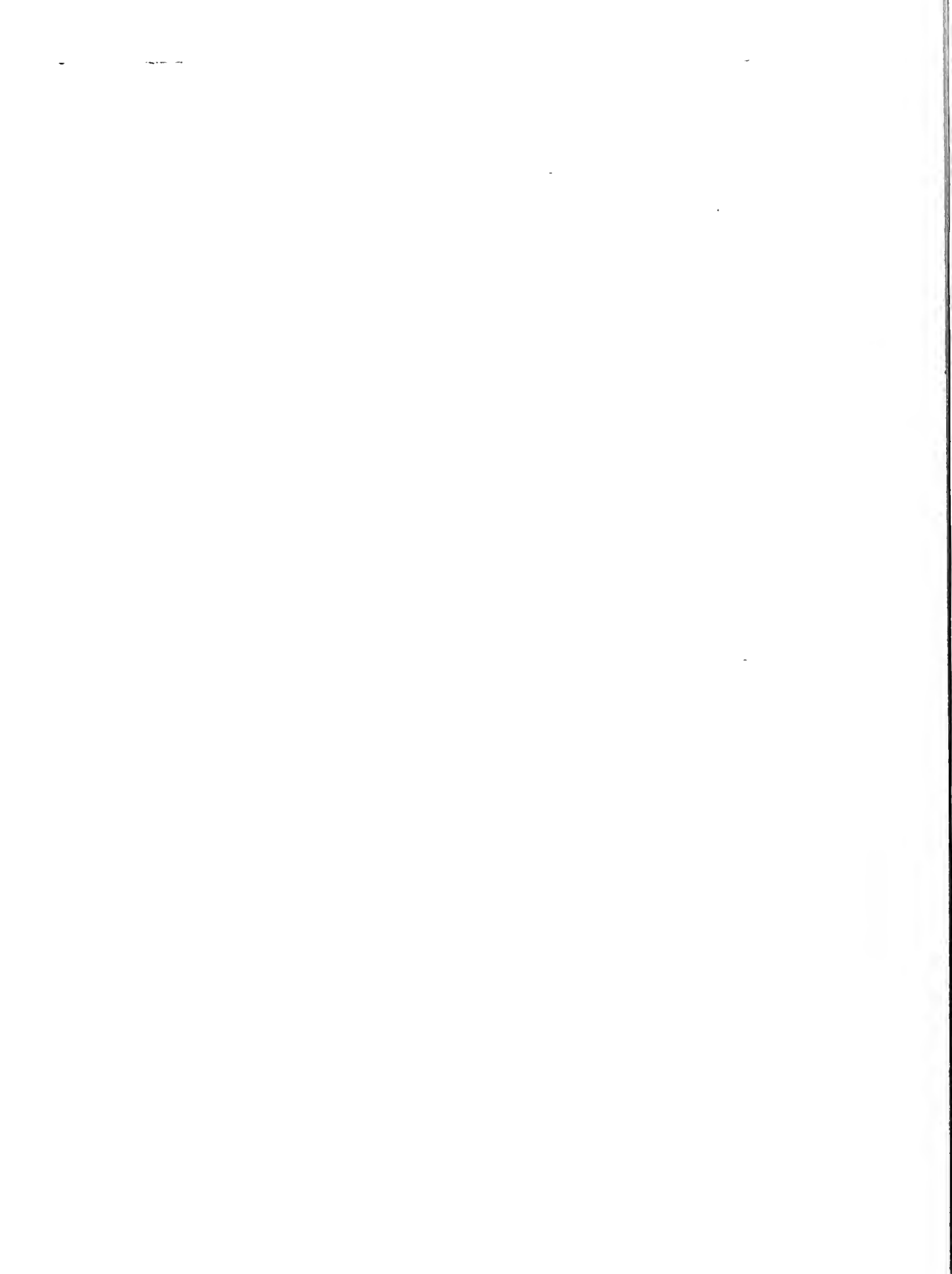


The administrative procedures for highway construction grants have been sketched briefly in an earlier section as an example of common processes of grant administration. The Bureau of Public Roads is in charge of the work in the federal government. It has at various times had its home in the Department of Agriculture, the Federal Works Agency, and is now in the Department of Commerce. The statute which controls its work requires the submission of plans for highway work, the approval of these plans, the development of detailed specifications and their approval, and the final reimbursement of the federal portion of construction costs only after approval of the project. This means that every phase of highway work from the selection of the route or the decisions as to which part of the existing highway system is to be improved or reconstructed, to engineering specifications and contracting procedures must come under some type of federal influence. The statute further requires that there must be a state highway department which is to receive the grant and execute the aided projects. In Illinois the highway construction and maintenance agency is the state Division of Highways, the largest unit within the state Department of Public Works and Buildings.

There is no requirement either in statute or regulation of any particular standards of personnel administration or of personnel qualifications such as are to be found in the more recent Social Security Act. This absence is partly accounted for by the high degree of control which can be exercised over construction projects by other means. However, state policies which may tend to increase construction costs and limit competition among contractors (such as a requirement as to the bonds to be posted or insurance to be carried by outstate contractors who wish to compete) will occasion criticism by the representatives of the Bureau of Public Roads. Illinois has had a very stable professional staff, unaffected by changes in administration, and this has made unnecessary the occasional warnings that the lack of competence of the professional staff might endanger the continuance of federal aid which is said to have occurred in other states.

Airport Construction Programs

Federal aid for construction of airports, other than the incidental assistance given by the emergency public works program of the 1930's, and the defense landing strip program of World War II, is much more recent. The Federal Aid Airport Act was adopted in 1946. In general it follows the procedures already pioneered in highway building, though the federal agency administering the program is the Civil Aeronautics Administration of the Department of Commerce.

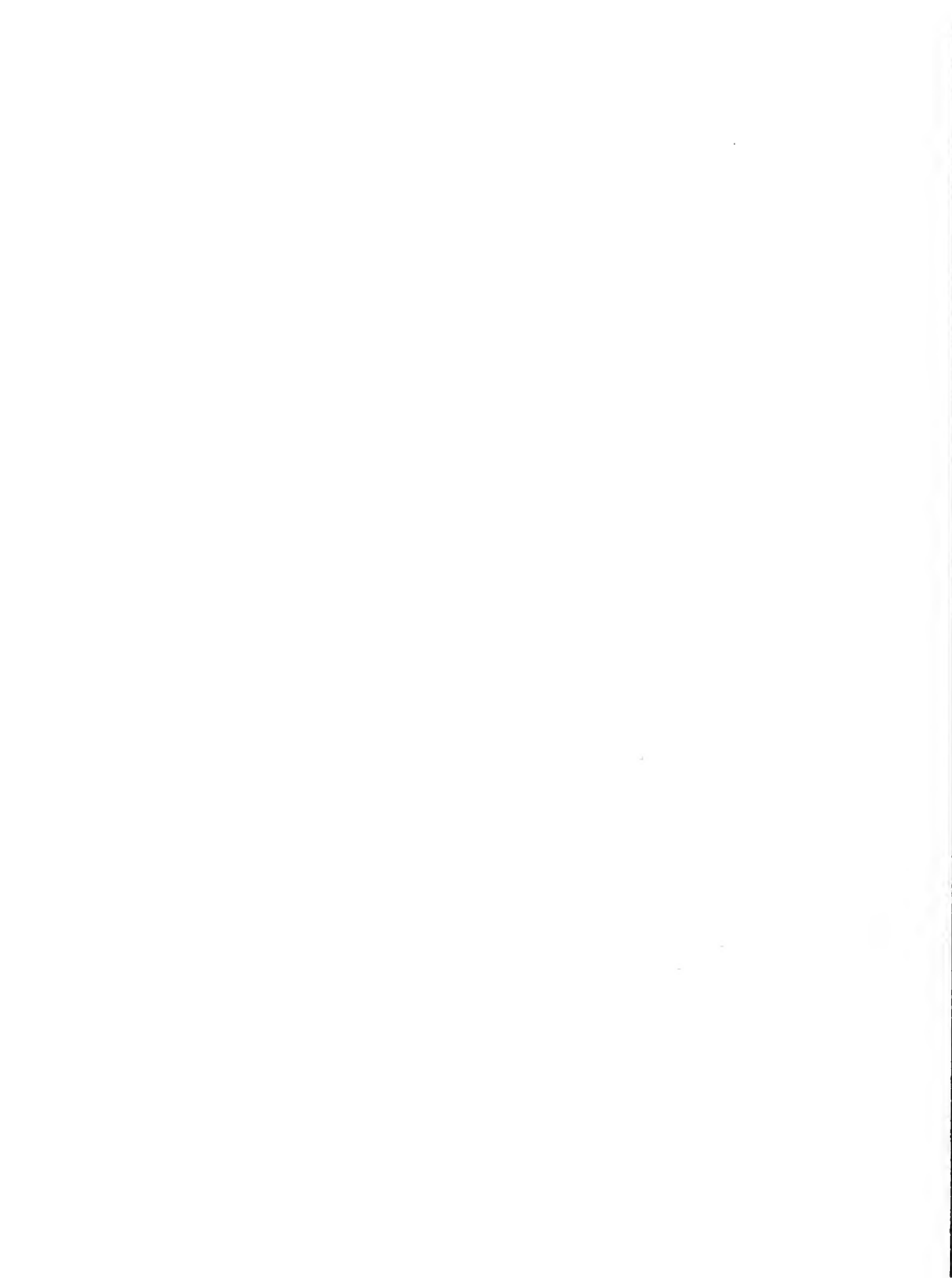


One of the principal differences between the provisions for highway construction and for airport improvement and construction is that the approval of airport projects depends on their conformity to a previously established national airport program. Such a plan is not made up from Washington however. State and regional plans are first developed in the regional offices of the Airports Construction Section of the Civil Aeronautics Administration and then reworked into a coordinated national plan in the central office.

A second difference is that in airport development, in Illinois at least, the state itself is not the project sponsor. Local units of government from park districts to special airport authorities are in direct charge of the construction and operation of landing fields and airports under a variety of statutory provisions. The state department assists them in the development of their proposals, considers them in relation to the development of a statewide system of airports, approves them and transmits them to the C. A. A. This function of promoting the development of a state wide system sometimes involves the Department of Aeronautics in informal stimulation of local requests, when local sponsors are slow to see their opportunities. Thus the Department is a kind of mediator between the C. A. A. and the multitude of local units interested in airport development.

Until June 20, 1954, existing public airports in Illinois had received about 15 per cent of their development costs from state funds, about 34 per cent from local, and the rest from grants under various federal programs.

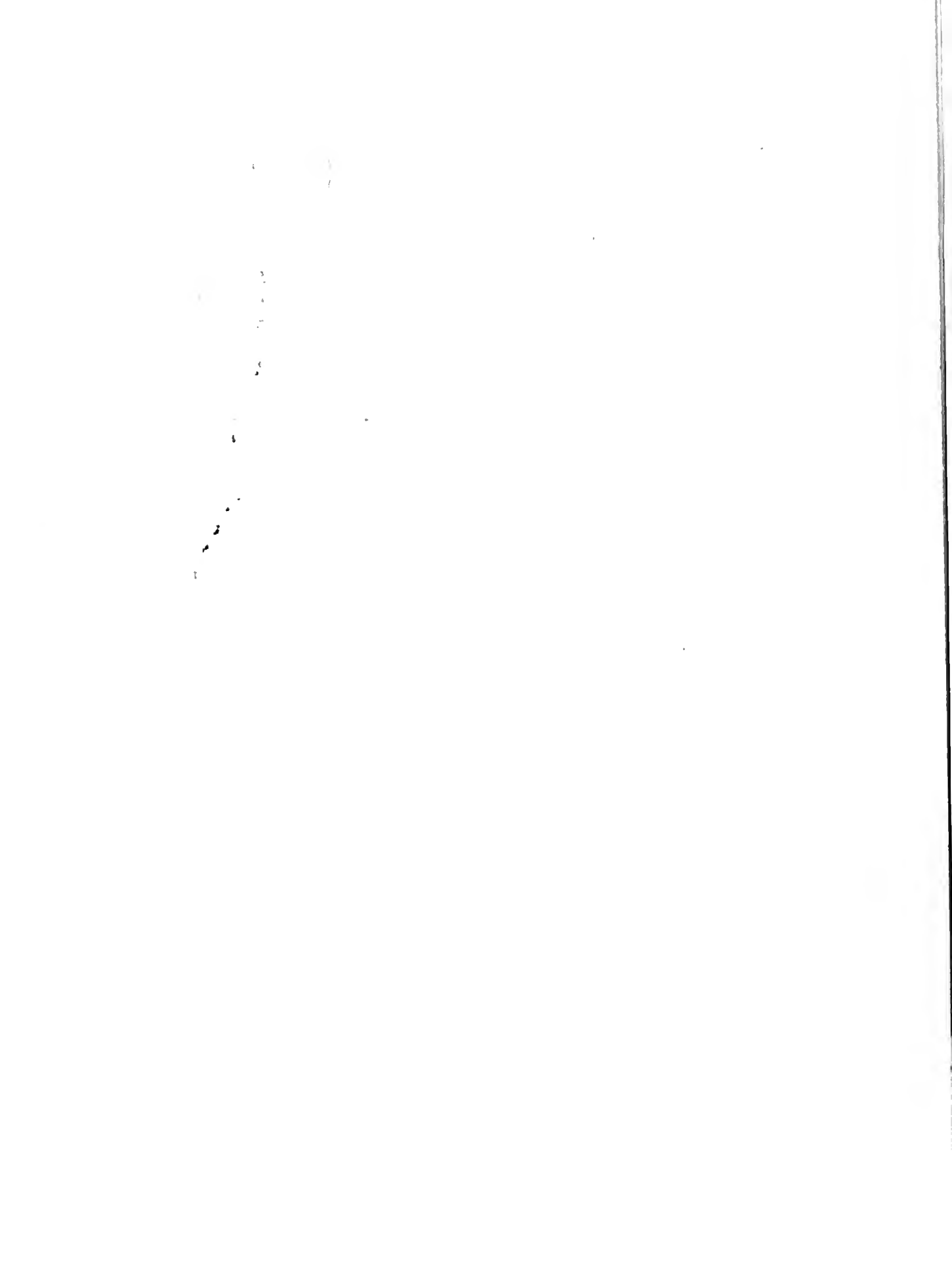
The amounts of federal aid available for projects in a particular state, as in the case of highways, are determined by applying an allotment formula to the amount of the appropriation currently available. Allotments are based on area and population and are available for a period of several years. If at the end of a given year appropriated funds have not been committed for available projects, the uncommitted balances in the various state allotments are redistributed in accordance with the original allotment formula. However, 25 per cent of any appropriation may be distributed at the discretion of the administrator. This offsets somewhat the mechanical basis of allotments which fails to take account of the possibility that in some states airport development may be a less lively subject of development than in others. Quite consistently some states have failed to take full advantage of the grants available to them and appropriations have lapsed in consequence. In Illinois, however, airport development has been fairly vigorous. The principal questions of policy which have been presented have been the desirability of



supporting many small projects of interest to private flyers and local traffic as against improvement at the terminals and intermediate stops of the major airlines and the developing feeder lines. National policy and Illinois policy have coincided in this respect. The first priority has been for improvement on scheduled airline stops, and the number of places served by airline traffic has increased as improved facilities have become available. By far the largest single project has been the improvements on O'Hare Field, in Chicago, now the International Airport. Improvements have been carried out at twenty other airports scattered over the state, from acquisitions of land and the development of runways, to the provision of improved systems of boundary and runway lights. Table 11 shows the projects accepted and the amount of federal, state and local money spent on each.

The Airports Act was one of the post war additions to the federal subsidy system in which the question whether to set up direct grants to local governments or to route grants through state agencies was fought out. The cities, in the person of the American Municipal Association, and the U. S. Conference of Mayors, put up a battle to permit localities to deal directly with the C. A. A., the grant administering unit, as they do in the housing and slum clearance programs. As a compromise the provision was made that the states might adopt legislation requiring applications to be made through a state agency. In Illinois, as in about half the other states, such a requirement is made. The state Department of Aeronautics then approves all projects for submission for federal grants. The city opposition to such a position was partly based on the assumption that the state agencies would be more responsive to applications from small cities and rural areas and less to the rapidly multiplying needs of the great metropolitan airports. Obviously this has not been the case. State and federal agencies seem to have had equal interest in a balanced program serving the needs of the centers of heavy air traffic.

Once projects are approved, money is paid out as the projected work is executed. Representatives of the state as well as the federal government inspect work in progress and on completion. Once completed, the airport is operated under the licensing authority of both federal and state government.



In conclusion it should be noted that in the case of both highway and airport aid, grants are made to cover capital expenditures only, for original construction or improvement. The state or the local unit, as the case may be, bears the cost of maintenance. The maintenance budget rises as aided facilities become more numerous or more extensive and as they age. However, in the present period of highway reconstruction, maintenance expenditures are dwarfed by the cost of new construction. On the surface, the provision of aid for construction only would imply a relationship which ceases with the completion of the aided construction. Practically, it is continuous, since between expansion and replacement, the end of capital expenditure is never reached. In terms of continuity and intimacy of contact therefore, these construction and improvement programs are not wholly unlike the newer functions of grants for current expenditure, such as are made in health and welfare.

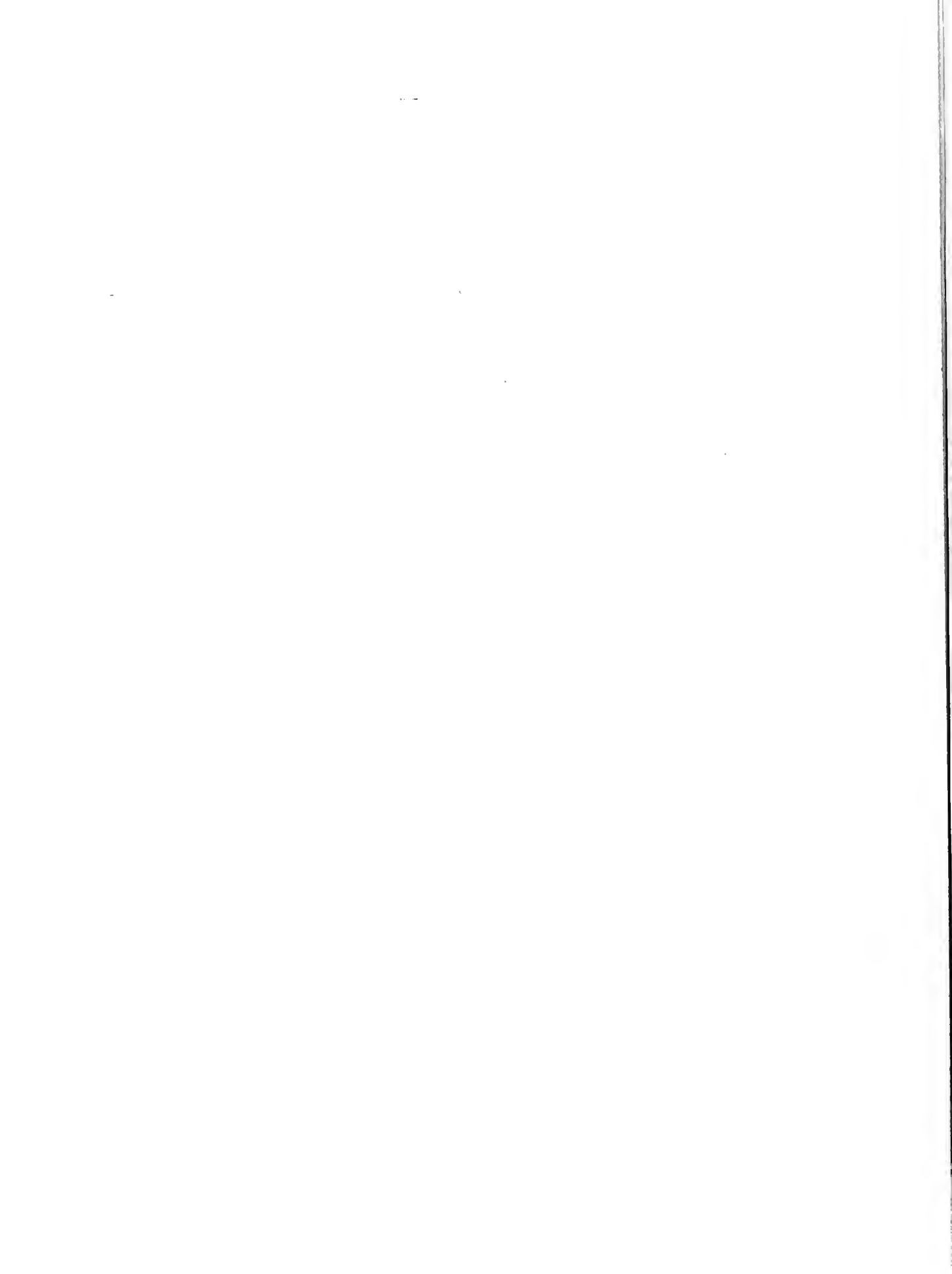


Table 6 . - II

Financing of Projected Highway Improvements in Illinois
Calendar Years 1954 and 1957

	1954		1957	
	Primary Only	Total Primary and Interstate	Interstate	Primary
System mileage to be improved	(not given)	12,000*	1,600 (100%)	10,400 (100%)
Total cost of approved projects**	\$ 84,459,331	\$ 366,808,000	232 (14.5%)	618 (5.9%)
Revenue actually available for primary system	71,100,110 (100%)	220,000,000 (100%)	143,000,000 (100%)	77,000,000 (100%)
Federal contribution	20,500,000 (28.9%)	160,000,000 (72.7%)	128,700,000 (90%)	31,300,000 (40.6%)
State share to primary system	51,600,000 (71.1%)	60,000,000 (27.3%)	14,300,000 (10%)	46,000,000 (59.4%)
State Reserve for secondary federal aid highways	1,000,000	3,500,000		
Total state revenue for construction	52,600,000	63,500,000		

Source: Department of Public Works and Buildings, Division of Highways, Proposed Improvement Program for the Primary Highway System, Calendar Years 1954 and 1957.

* Nearest hundred miles. 2,400 miles of this system is not part of the federal aid system and is therefore ineligible for federal grants

** Projects actually put under construction in the calendar year are selected from these projects.

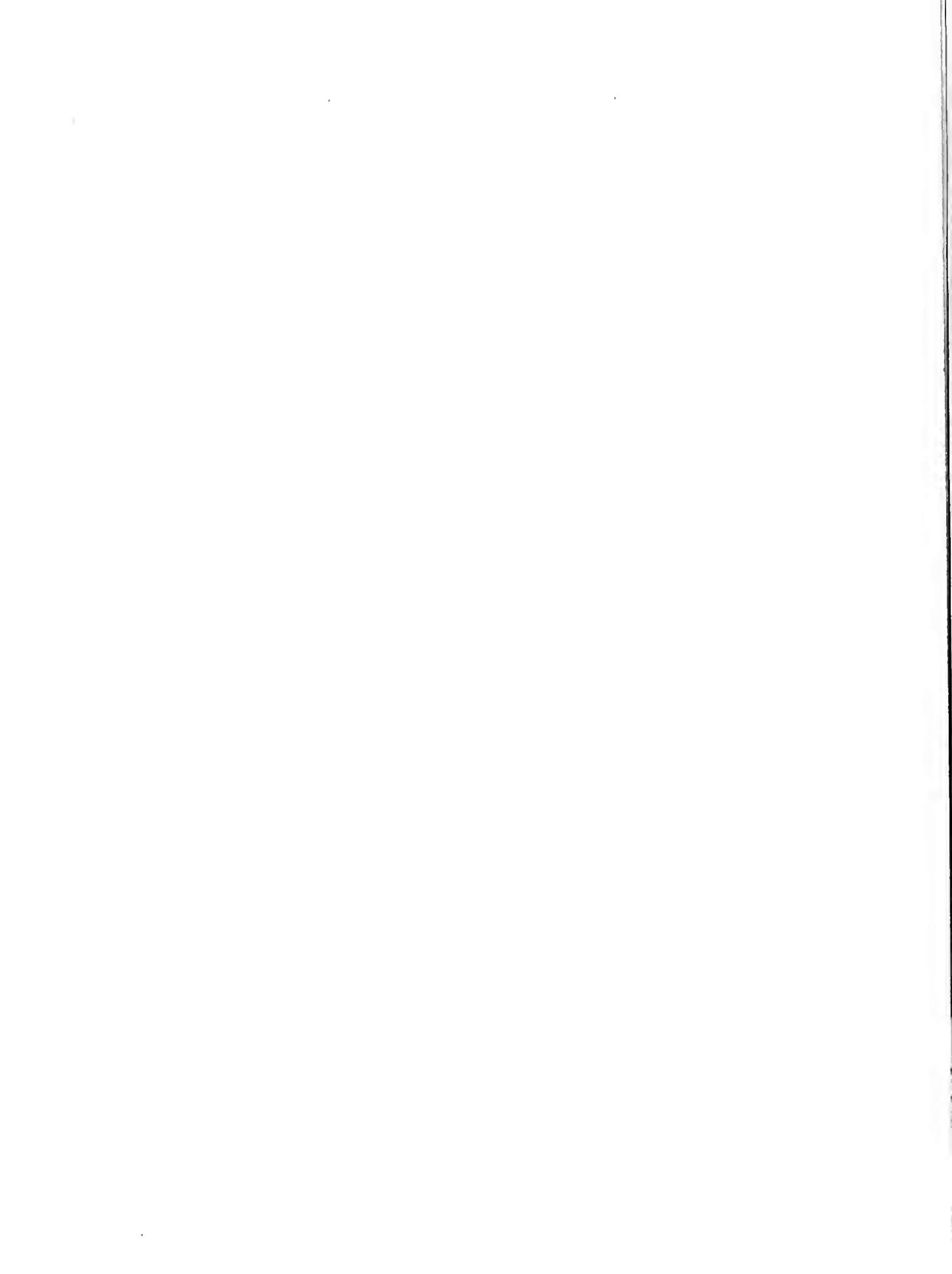


Table 7 - II

Federal Aid As Share of Current Illinois Highway Expenditure,
fiscal year ending June 30, 1956

[Dollar figure to nearest thousand]

Highways: Operation and Maintenance	\$ 35,269,000
Highway construction	
Cash outlay on completed work	98,580,000
Obligations incurred on contracts	70,796,000
Total of cash outlay and obligations incurred	169,376,000
Total expenditure Highway construction and operations	204,645,000
Federal reimbursement for construction expense	37,638,000
Federal aid as share of construction expense	22.22%
Federal aid as share of all operation and construction expense	18.39%

Source: Department of Finance, Annual Report, 1956

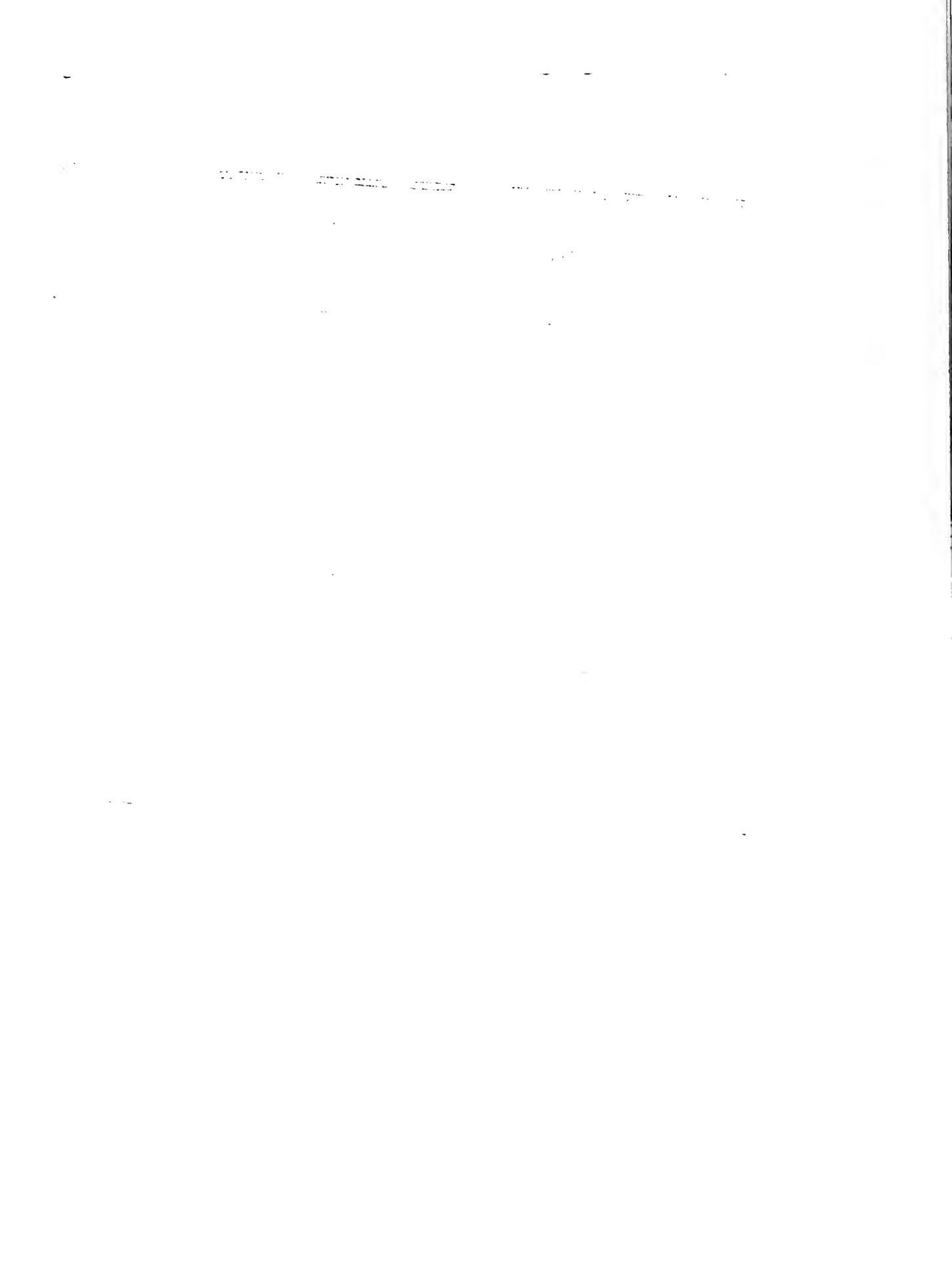


Table 8 - II

Total receipts for Highway Purposes, Biennia, July 1, 1944 - June 30, 1959

[Figures in millions of dollars]

	Biennium Year - -						
	<u>64th</u>	<u>65th</u>	<u>66th</u>	<u>67th</u>	<u>68th</u>	<u>69th</u>	<u>70th</u>
Motor vehicle Drivers Licenses	\$ 54.7	\$ 70.2	\$ 85.4	\$ 115.4	\$ 145.6	\$ 170.4	\$ 176.0
Share of motor fuel tax to State Highway	26.3	32.9	38.6	55.0	79.5	87.8	94.3
Grade crossing expense refunded by railroad companies	.5	3.3	2.1	2.7	6.9	8.3	13.0
Miscellaneous road fund revenues		.9	1.8	1.7	5.6	6.8	6.9
Total receipts from state sources	81.5	107.3	127.9	174.8	237.6	273.9	290.8
Federal Aid	4.1	25.4	30.5	47.4	53.6	71.4	354.2
Total receipts from all sources for State Highway purposes	85.6	132.7	158.4	222.2	291.2	345.3	645.0
Proportion of federal aid to revenues from state sources	5.03%	23.7%	23.8%	27.1%	22.6%	26.1%	122.0%

Source: Department of Finance Illinois State Budget, 70th Biennium

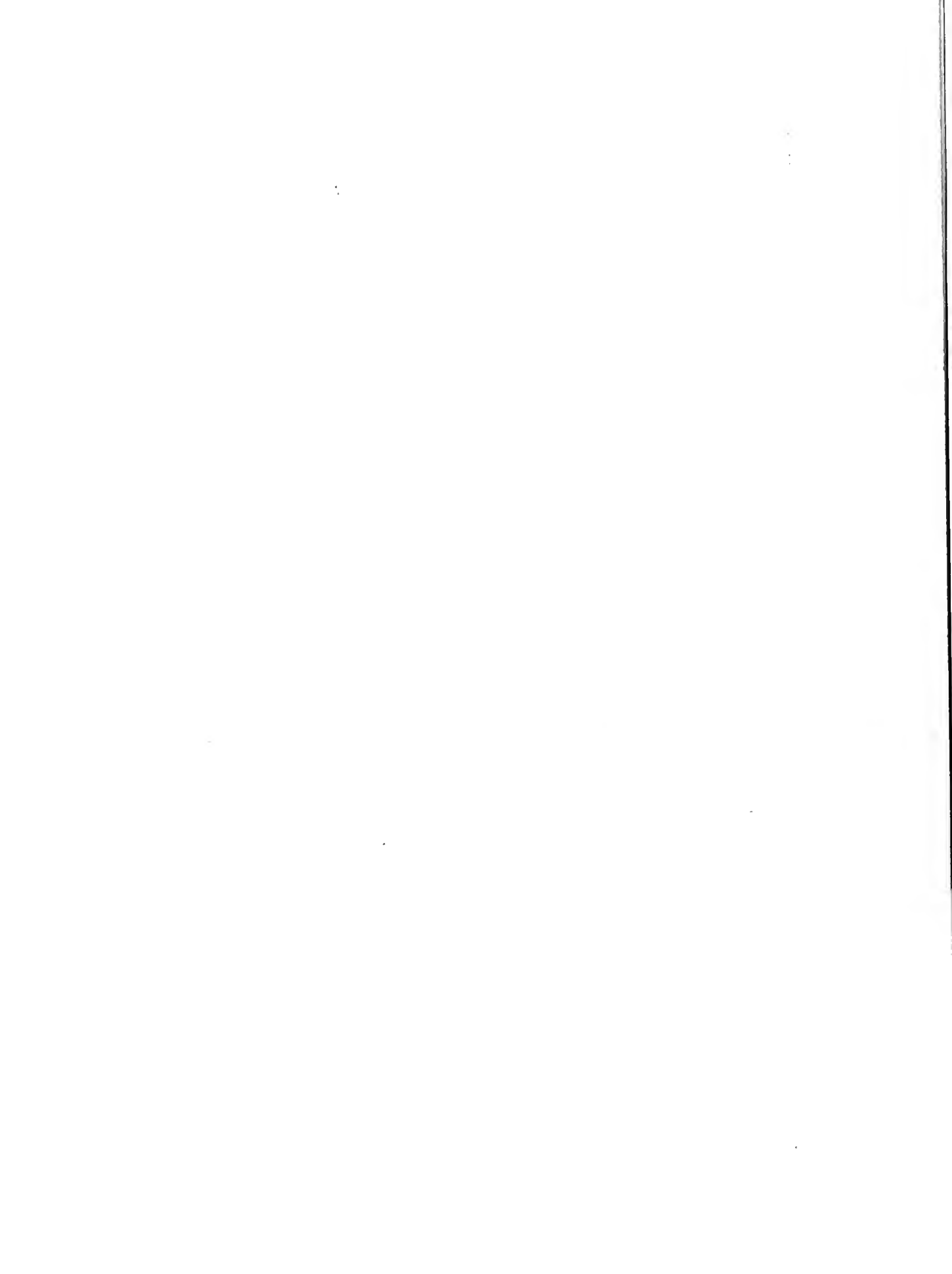


Table 9 - II

Distribution of Motor Fuel Tax Receipts for State, City, County, Township Road Purposes
 [Dollar figures in millions]

	64th <u>1945-1947</u>	65th <u>1947-1949</u>	66th <u>1949-1951</u>	67th <u>1951-1953</u>	68th <u>1953-1955</u>	69th <u>1955-1957</u>	70th <u>1957-1959</u>
Total collections	\$ 80.0	\$ 100.2	\$ 117.8	\$ 179.7*	\$ 233.1	\$ 257.1	\$ 273.5
State highways	26.3	32.9	38.6	55.0	79.5	87.8	94.3
City Streets**	26.3	32.9	38.6	53.5	73.5	80.1	86.2
County roads	26.3	32.9	38.6	49.8	52.8	57.8	62.0
Township roads				14.8	22.9	25.1	26.9
Grade crossing elimination						.6	.6
Collection and administration of motor fuel tax	1.1	1.5	2.0	6.6	4.4	5.4	3.5

Source: Department of Finance, Illinois State Budget, 70th Biennium

* Motor fuel tax increased from three to five cents per gallon

** Includes reserve for first and second emergency relief bond issue for interest and retirement.

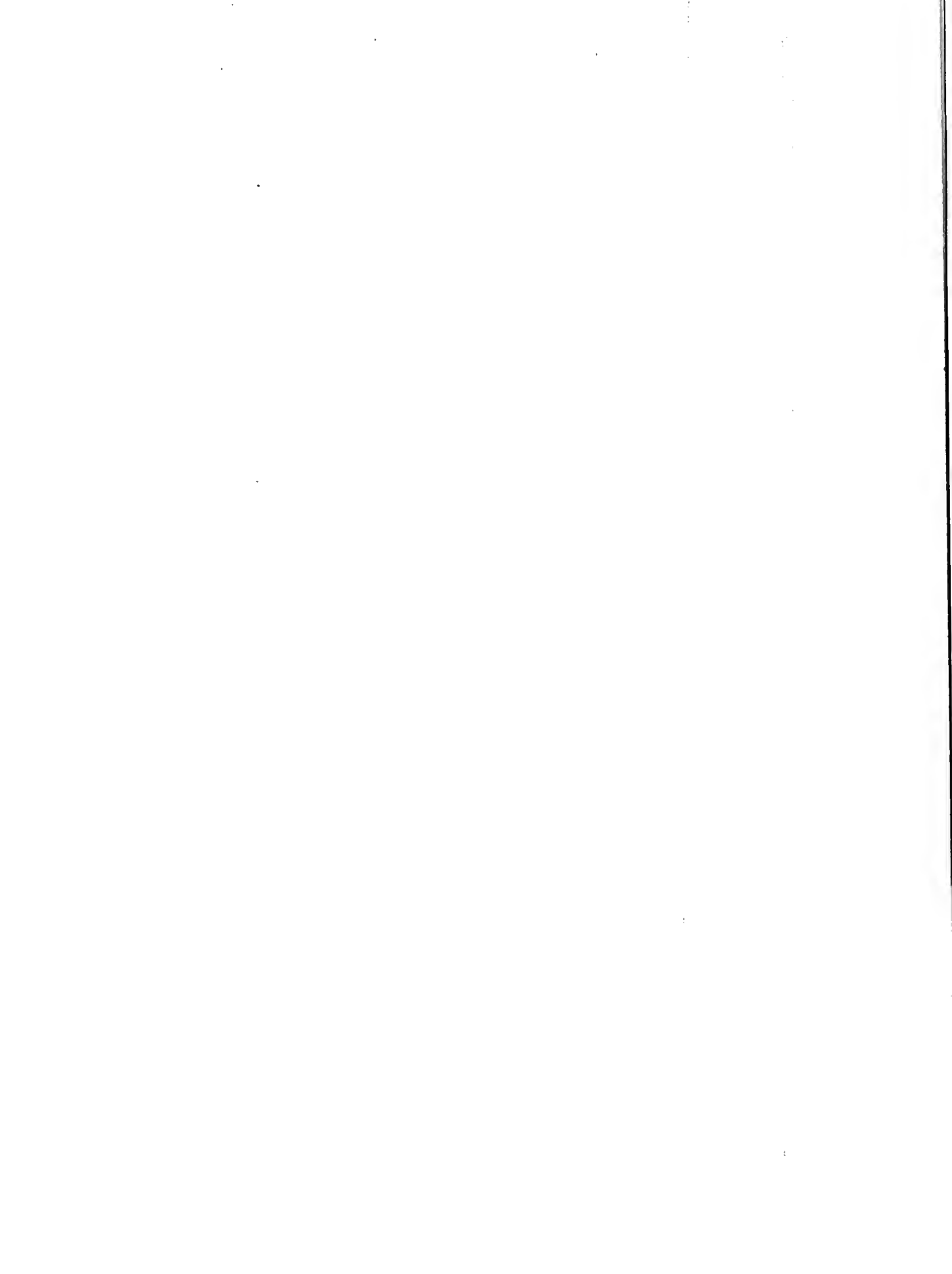


Table 10 - II

Federal Aid for Airport Construction
Fiscal year ending June 30, 1956, and estimates for 1957-1959 Biennium

	Actual Expendi- ture 1956	Appropriation 69th biennium 1955 - 1957	Estimate 70th biennium 1957 - 1959
	\$	\$	\$
Aids and Grants to Local Government (State funds)	404,832	3,107,500	3,962,000
Aids and Grants for airport development (Federal funds)	28,901	315,000	5,563,665
Operations	258,122	536,744	623,850
Total Grants for Airport Development	(433,732)	(3,422,500)	(9,525,665)
Total Expenditure: Department of Aero- nautics	691,854	3,959,244	10,309,515
Percent of airport aid from federal funds	7%	9%	58.4%

Source: Department of Finance, Annual Report, 1956 and Illinois State Budget, 70th Biennium

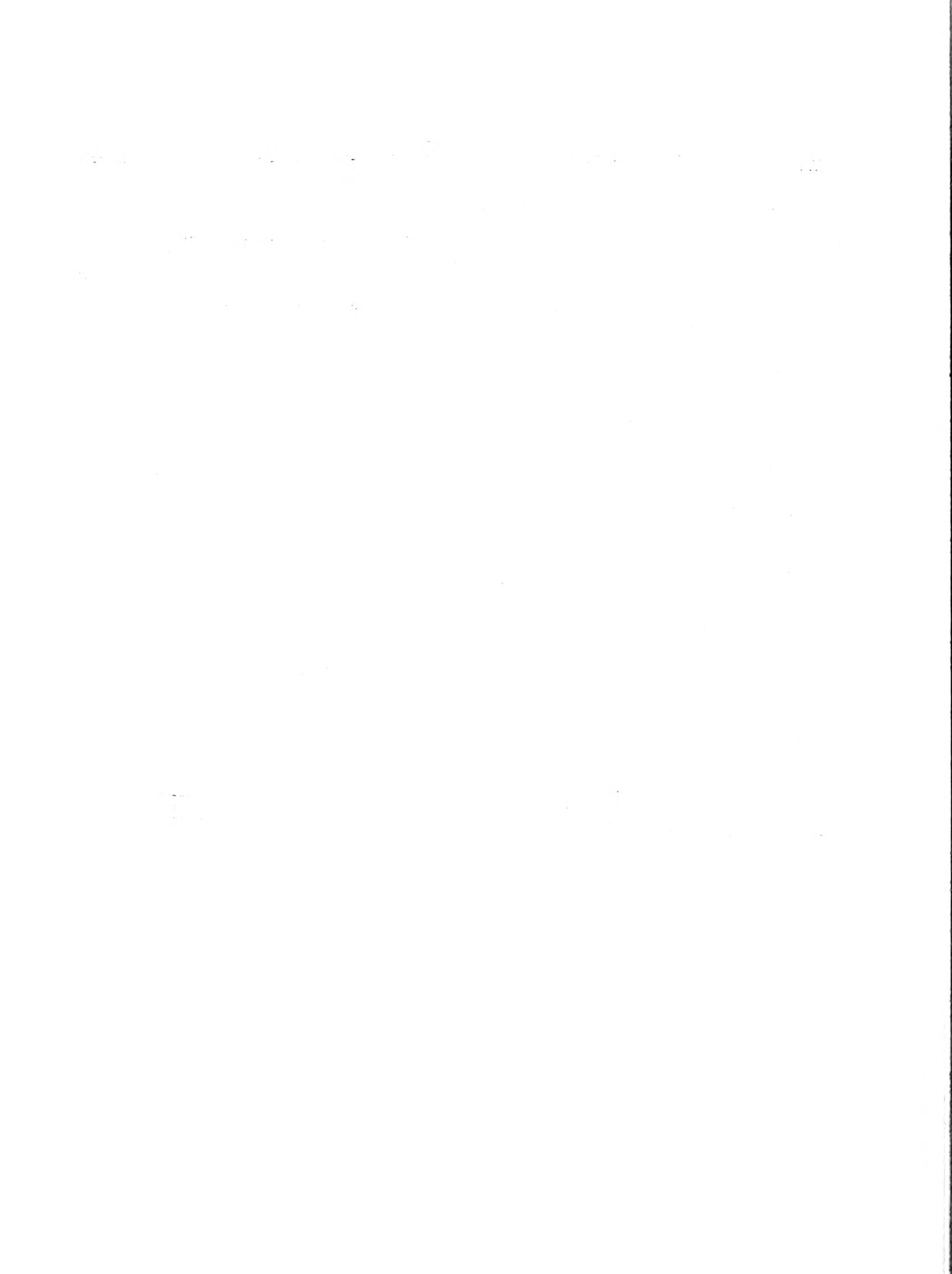


Table 11 - II

Airport Construction Program
July 1, 1953 - June 30, 1954, State and Federal Participation

	Appropriation <u>Allotment</u>	Actual <u>Expenditure</u>	<u>State Funds</u>	<u>Paid or available from federal funds</u>
Alton Memorial	\$ 91,000	\$ -	\$ -	\$ 402
Benton Municipal	18,000	-	-	-
Bloomington	-	4,523	-	4,523
Cairo	23,000	6,000	-	6,000
Centralia Muni- cipal	40,000	28,880	28,880	-
Coles County	-	2,202	-	2,202
Danville, Ver- million County	25,000	30,146	8,000	30,146
Decatur Municipal	-	8,619	-	8,619
Dixon Municipal	50,000	30,908	30,908	-
DuPage County	-	13,759	-	13,759
Harrisburg Raleigh Jacksonville Municipal	13,000	9,308	9,308	-
Macon-Marshall County	60,000	-	-	-
Litchfield Municipal	20,000	16,933	16,933	-
Murphysboro-Carbon- dale Municipal	5,000	-	-	-
Greater Peoria	40,000	-	-	-
Greater Rockford	-	95,299	-	106,718
Rock Island-Moline (Quad City)	30,000	60,548	-	60,548
Salem Municipal	22,000	212,643	-	212,643
Springfield (Capitol)	8,000	-	-	-
Sullivan-Moultrie	20,000	-	-	-
Taylorville Muni- cipal	12,000	-	-	-
O'Hare Internation- al, Chicago	50,000	13,275	13,275	-
TOTAL	410,000	410,000	410,000	-
PERCENTAGE	958,400*	943,044	517,304	445,561**
		100%	54.9%	45.1%

Source: Department of Aeronautics, Annual Report, 1953, 1954.

* including \$21,400 contingency.

** \$426,143 actual expenditure.

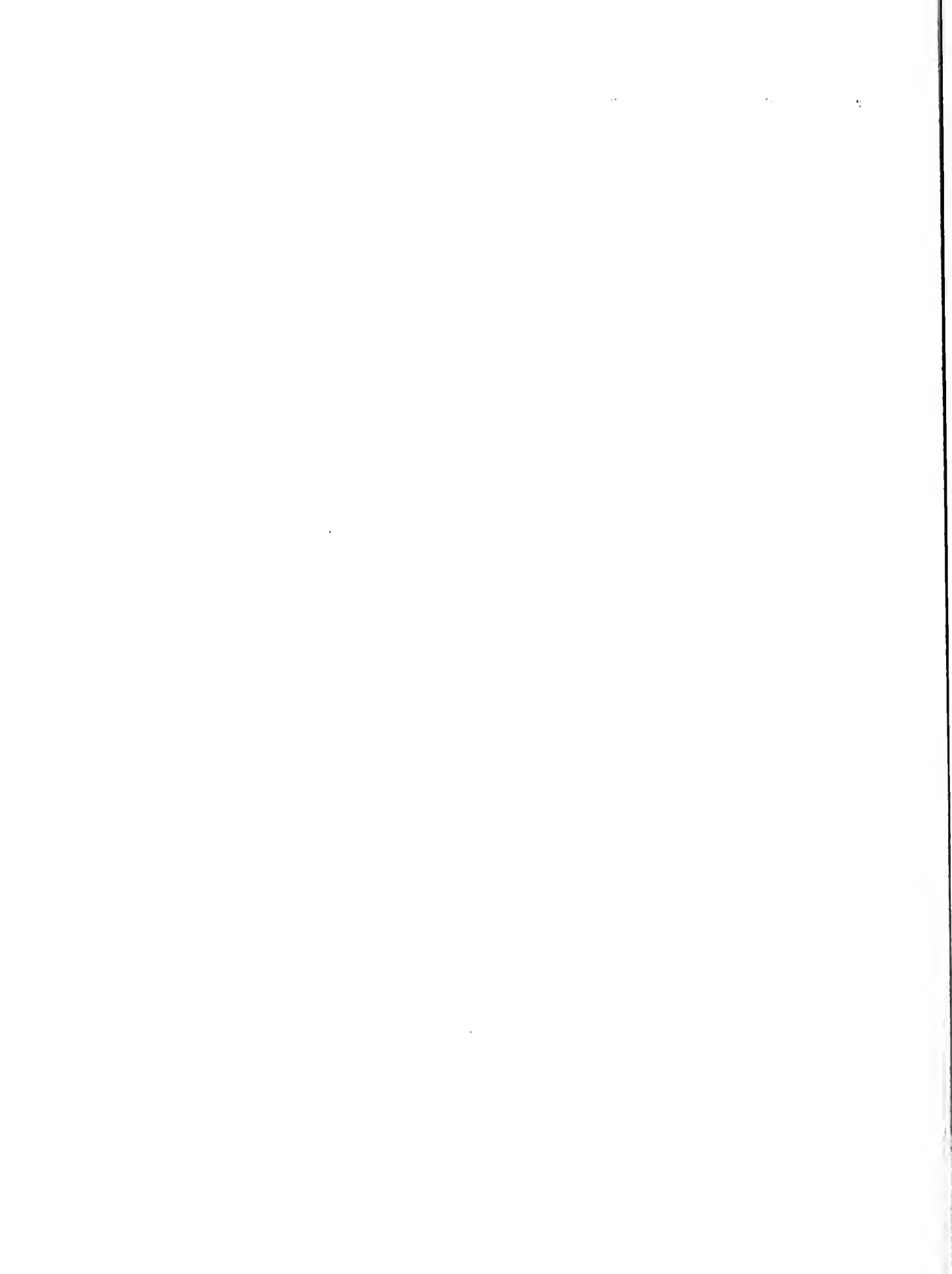


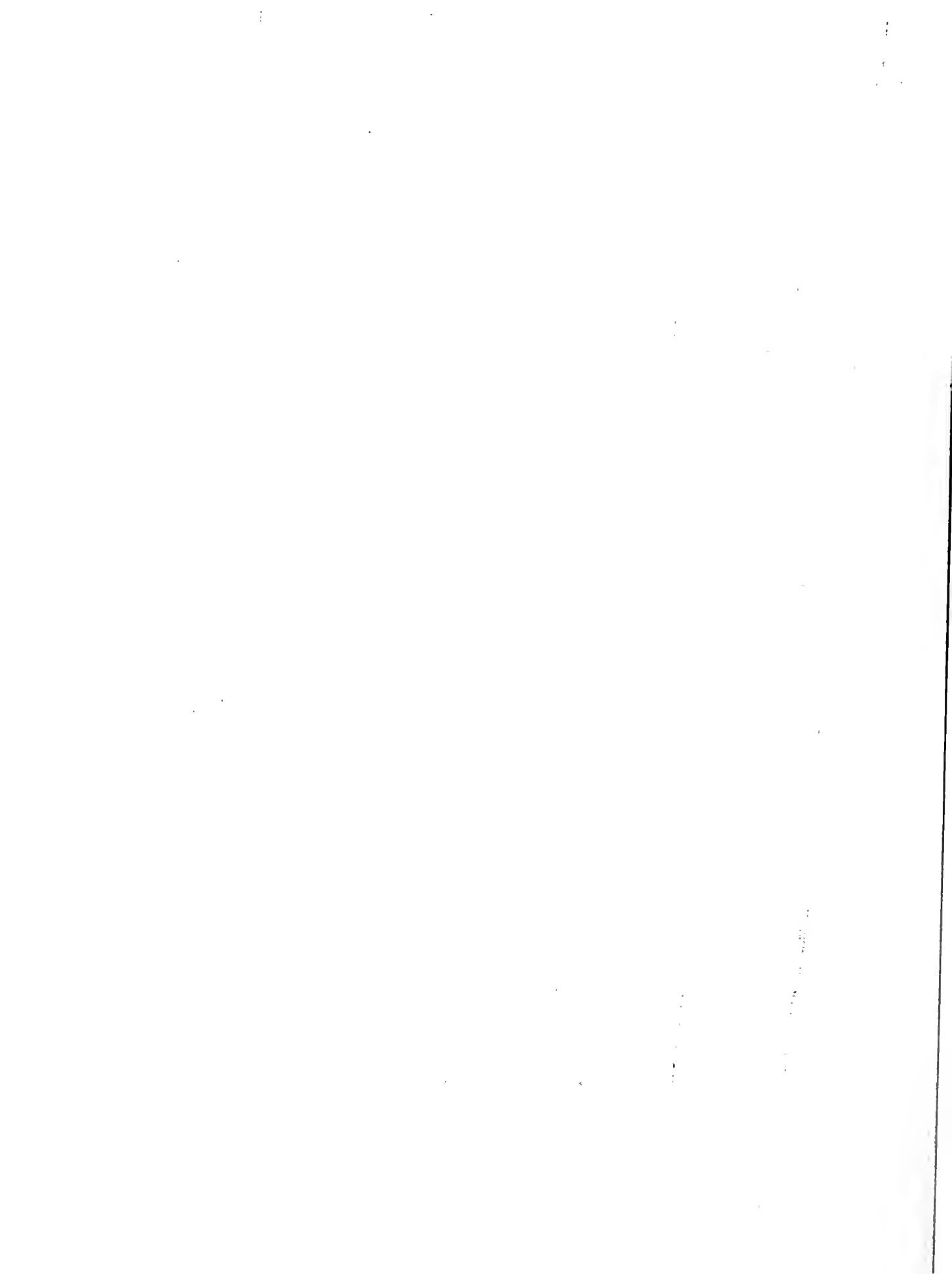
Table 12 - II

Cumulative Capital Expenditure, Illinois Airports as of
June 30, 1954

[Dollar figures in thousands]

	Number of Units	Total Funds	State Grants	Local Funds	Emergency Works (Federal)	Public (Federal)	Military	Federal Air- port Act	Defence Landing Strip Program
		\$	\$	\$	\$	\$	\$	\$	\$
Airport Authority	14	23,445	4,753	7,758	1,284		3,768	4,250	1,633
Cities	24	45,421	6,043	16,434	710		2,100	16,984	3,150
Counties General Act	3	970	220	241			270	240	
Airport Act	3	344	136	208					
Park Districts	2	3,045	285	788	407			65	1,500
TOTAL	46		11,437	25,429	2,401		6,138	21,539	6,283
Percent of Funds		100%	15.4%	34.3%	3.2%		8.3%	29.0%	8.5%
Total State and Local Share	--								
Total Federal Share	--								

Source: Illinois Department of Aeronautics, Annual Report, 1953-1954



CHAPTER III

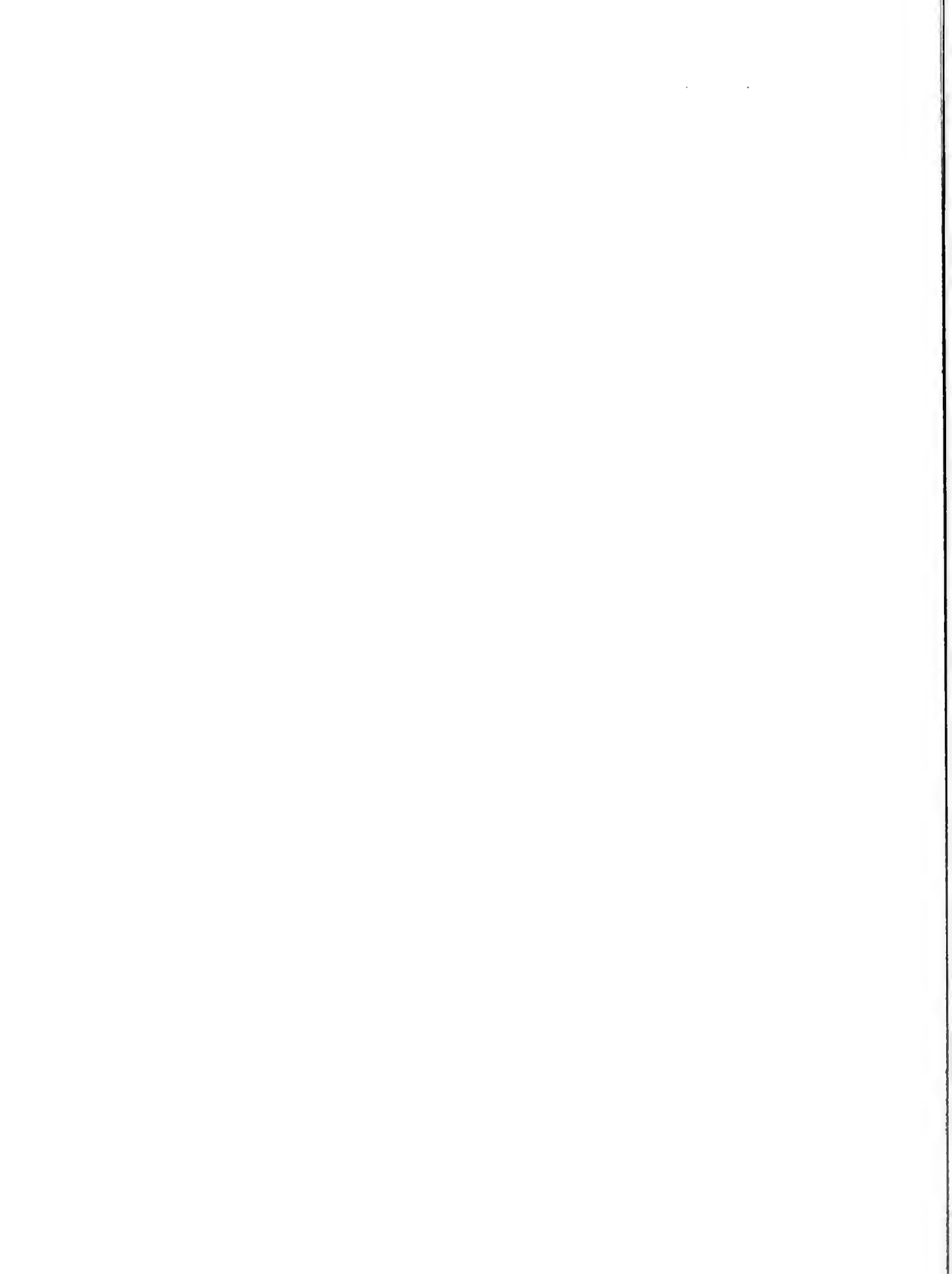
EDUCATION

It is a common misconception that the federal government foots a fairly large part of the national bill for primary and secondary education. This is not so, aid being limited to a few aspects of education. The principal federal expenditures are for vocational education, which is almost entirely a secondary or continuation school activity, aid for school construction and operation in federally affected areas, and commodities and cash grants for school lunches. The total in Illinois for these purposes is currently less than 8 million out of a total state and local expenditure on public primary and secondary education of over 400 millions. There is in addition a relatively small sum which is received by the University of Illinois as a land grant college and additional sums for agricultural research and extension work through the University of Illinois, which are discussed in another section.

Vocational Education

Federal assistance for vocational education began in the year after the federal highway program, 1917. Allotments are available for four primary types of training--agriculture, trades and industry, home economics, business and distributive education, and teacher training in these specialties. State allotments depend variously on the state's share of all rural population, all urban population, and total population. Classes held under the program may be part of regular day school programs, they may be part time classes, or evening classes, for employed persons, or for youngsters still in the compulsory school attendance years.

To receive federal funds for these purposes, states must meet certain standards. They must submit a plan for the use of funds and an annual budget. The plan must show the need for vocational education in the particular communities in which the training is to be given. The teachers to be employed must show "vocational competence" in terms of technical skill and teaching ability. There are audits and inspections to insure compliance. The U. S. Office of Education, now a unit within the Department of Health Education and Welfare, administers these requirements. There must be a Board of Vocational Education to administer the program in each state and in Illinois this is an ex-officio board. The Superintendent of Public Instruction enters into agreements with the Office of Education and takes responsibility for securing the compliance of the local education authorities through whom the money is actually spent. This is one of the several federal programs



which require a certain type of state administrative agency as a receiving unit. The funds provided are available for salaries and travel expenses of teachers and administrators in the program, for instructional supplies and equipment, and for vocational guidance and vocational research.

The actual proposals for classes and other training projects are developed in the various local school districts with the assistance of the state staff and are included in the state's plan and annual budget. There is a considerable amount of state as well as federal money in this program, and the state grants both federal and state funds to the local schools on a monthly basis. Local school districts, of course, hire all teaching personnel and such supervisory personnel as is required by the local district and purchase equipments and supplies as their project authorizes. Such purchases must be approved by the state and ultimately the federal agency. The primary responsibility for the development of the program in the state lies with the state department in cooperation with local school districts.

The program of vocational instruction which is supported in part by federal grants reaches over 100,000 students in Illinois in five out of seven of the high schools in the state. More than 2300 teachers are employed in the program; part of their salaries are supplied from federal and state funds. Classes are given not only as regular day school activities for pupils of school-age, but also for part time students and in the evenings for employed persons. By far the most popular courses are those in agriculture and homemaking with 29,000 students and 32,000 students respectively. Training in agriculture is offered not only to day students but to young men helping to operate farms and to older farmers through part time and evening classes. Instruction is not only an affair of classroom and shop. Students develop projects which are supervised on the farm by vocational agriculture instructors.

Close behind these classes in number are the courses in trade and industrial education which have a total enrollment of 26,000. Many of these students are in cooperative part time and evening courses. In the cooperative courses students combine study and supervised work on a job. Part time and evening courses are for those already employed. Proportionately these are of more importance in trade and industry courses, which run the gamut of the skilled trades, than in agriculture. Business education which includes office work and preparation for the distributive trades such as jobs in retailing and wholesaling, is much smaller with an enrollment all over the state of 4,000 persons. As in other vocational courses, this also includes part time and evening students.

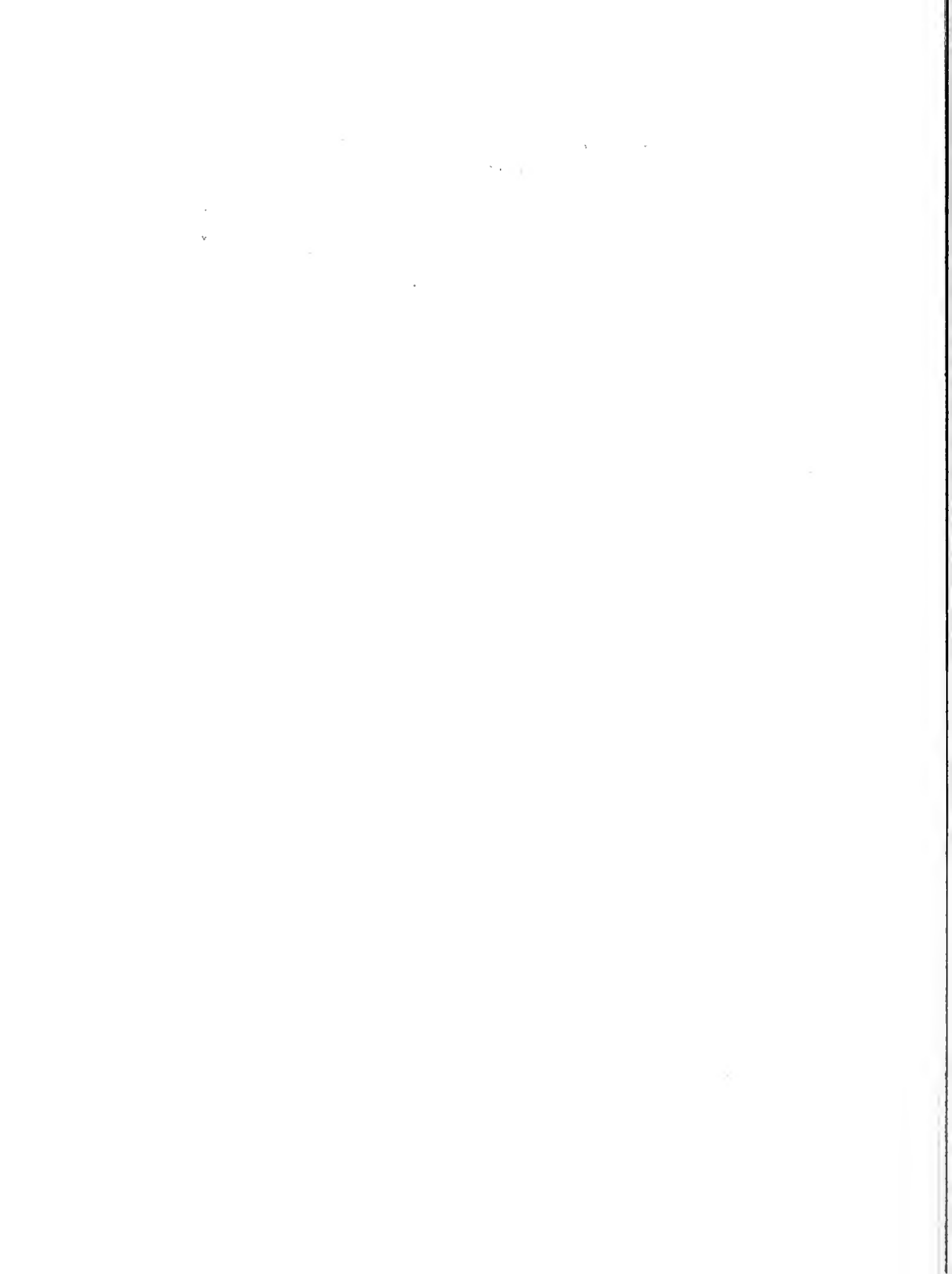


All of these classes in the local school systems are carried on with the advice and supervision of area supervisors who are on the staff of the vocational educational division of the Office of the Superintendent of Public Instruction. These persons help local school administrators and teachers plan programs, they meet with teachers and sponsor conferences for vocational teachers and for members of farm organizations, civic groups, labor organizations and trade associations interested in their work. Teacher training programs at the several public teacher training institutions which train teachers of vocational subjects are also supported in part from federal funds, and there is close cooperation between the staffs of these programs and the staff of the Division of Vocational Education.

School Lunch Program

The school lunch program is a depression experiment in the use of surplus foods that has become part of our current school program as a demonstration in nutrition and as a means of insuring adequate nutrition to less privileged children. The gifts of commodities which started with the depression have long since been supplemented with money grants which go both to the purchase of commodities and the payment of the salaries of the people employed to prepare and serve lunches. Payments are made to private schools as well as to public schools, being made directly by federal authorities to such schools in states like Illinois which do not permit direct payments by a state authority. Children who can do so buy their lunches, paying a price roughly set to cover a major portion of costs. Children unable to pay for their lunches receive them free, or at reduced cost.

Since this program is so closely linked to the utilization of foodstuffs, it is administered by the U. S. Department of Agriculture which makes the grants of both food and money. Allotment of the available federal appropriations is made by a formula in which the share of a state varies directly with the number of children of school age and inversely with its per capita income. Commodities are distributed in proportion to the number of meals served. Matching funds are required to be in the ratio of three state dollars to one federal with a decreasing ratio for states with low per capita income, but actual state and local expenditures are far in excess of the minimum which would be required to receive federal assistance.

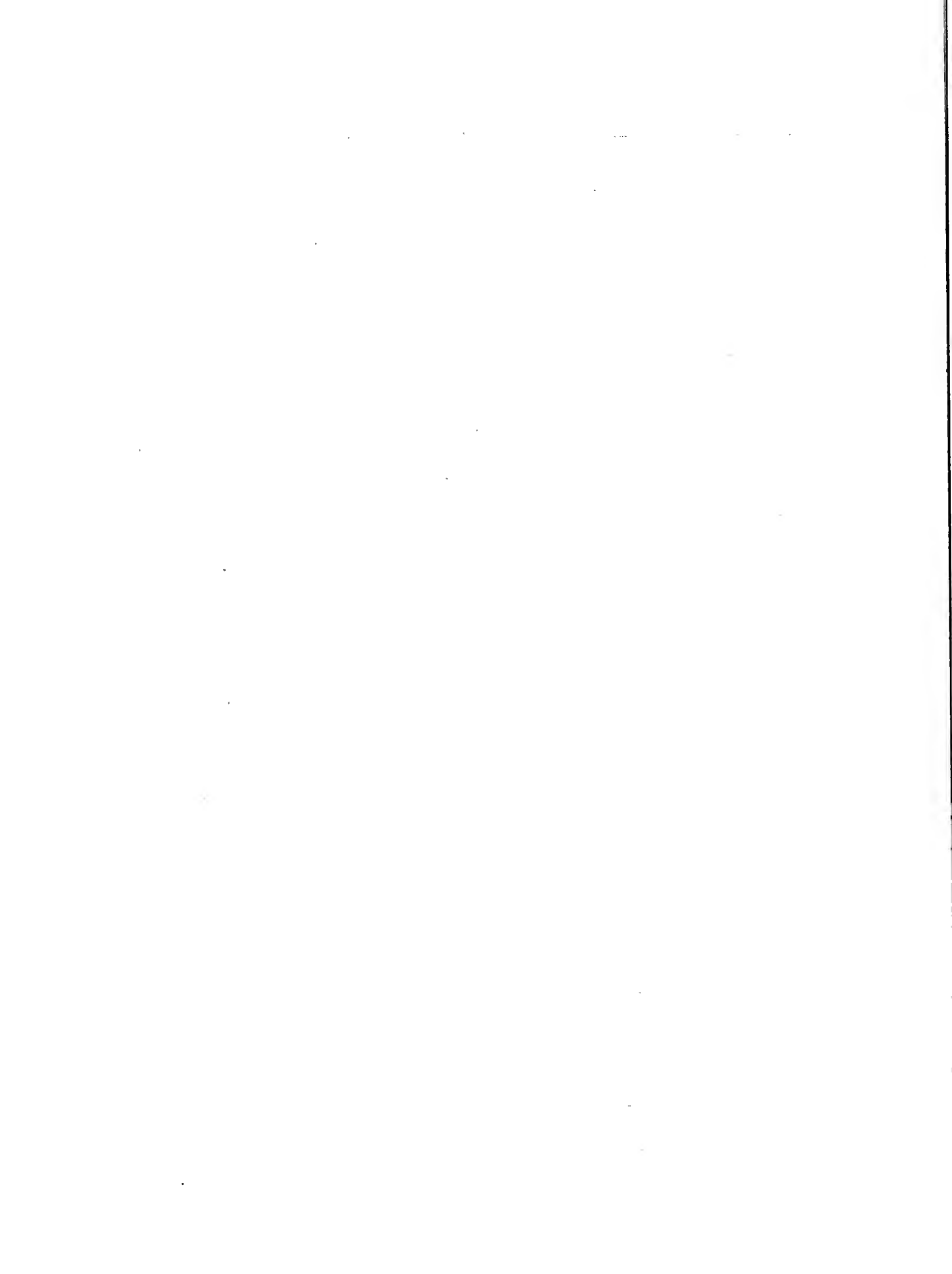


Special Program for Federally Affected Areas

Grants to schools in federally affected areas, the remaining field of federal assistance to primary and secondary schools, began in the defense emergency which preceded World War II. With the rapid building of industrial plants and military facilities in previously unpopulated or sparsely populated areas, great demands were placed on all types of facilities and services ordinarily provided by local governments. Government assistance was provided to local governments affected by such developments so that streets, sewers, fire protection, schools, and other essential services could be provided to the new population coming in. Since the end of the war, such assistance to school districts has been continued under the rubric of "federally affected areas". Such areas are those in which there is a high proportion of federal property which is exempt from local taxes, of federal employees working on federal property in the total working population, or in which increased federal activity has caused a sharp population rise, requiring a rate of expenditure on school facilities which could not be maintained on the basis of ordinary local tax revenue.

Assistance may be given both for school construction and for school operation and maintenance. The proportion of the cost of new facilities which will be met by federal grants varies with the proportion of children whose parents reside or work on federal property and with the impact of the required facilities upon the finances of the affected district. Actual expenditure is on a project basis and each project must be justified under the conditions as set forth in the authorizing statutes. The administering agency is the Office of Education with the technical assistance of the Housing and Home Finance Agency in approving construction standards. Local districts submit their projects through the Department of Public Instruction, who sets the standards of cost per pupil which are used by the federal agency in fixing its share of the cost of needed construction.

The assistance given for school operation and maintenance arises from the same considerations as those that govern aid for the construction of increased facilities. It is given where there is extensive federal ownership of property or a large proportion of parents of children attending school in the district who work on federal property. Aid is based on the extent to which enrollment is unduly swollen by federal activity in the district. Payments per child are based on local costs. As in the case of school construction, the State Department of Education assists local districts in the presentation of their requests and certifies the cost standards upon which federal payments are based.

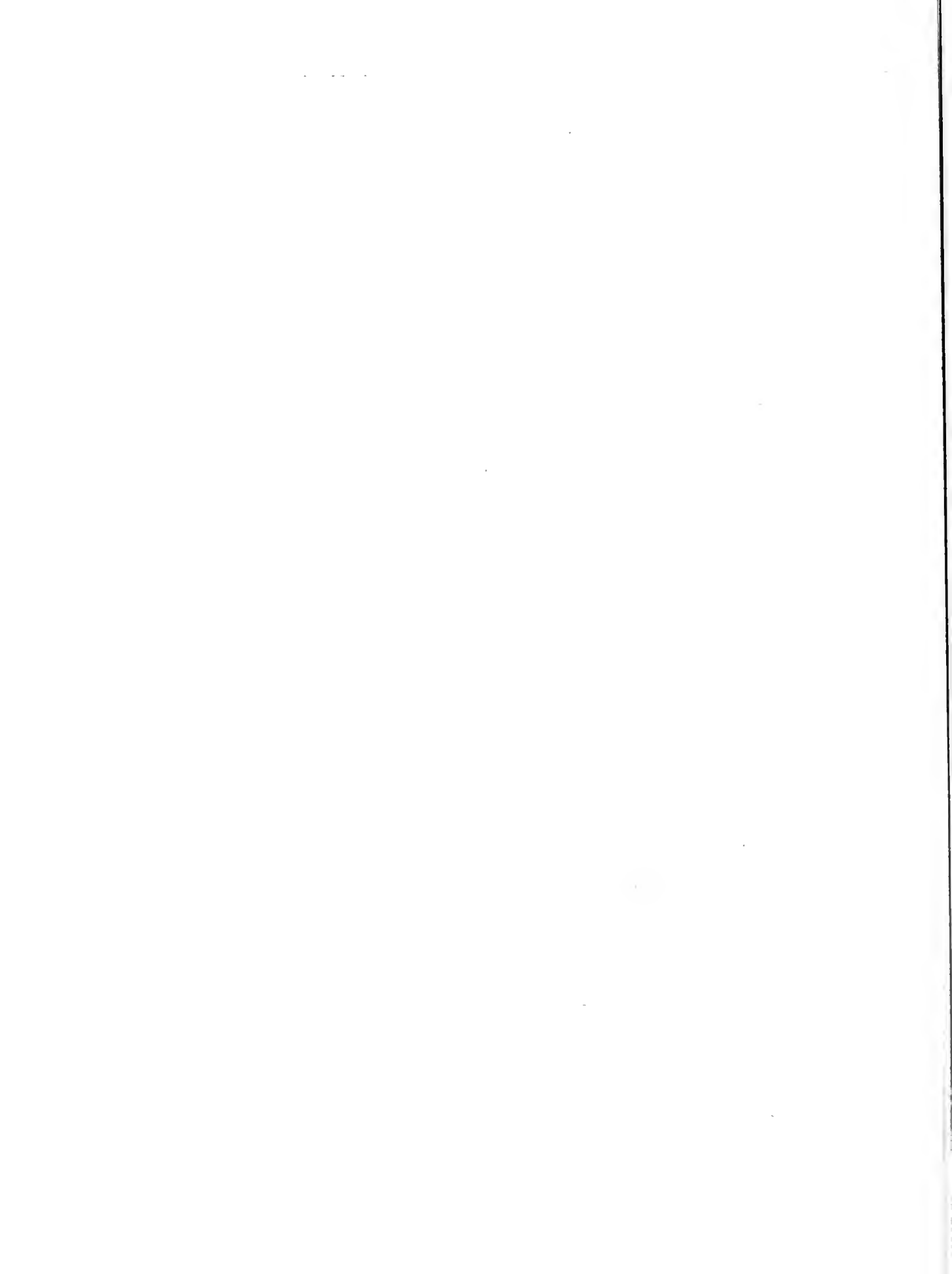


The closing date for new applications for aid to construction of school facilities was June 30, 1954, although moneys will still be spent for work completed under applications submitted up until that date. To be eligible for construction aid, school districts must show that there has been a total increase in attendance of at least 20 due to federal activity, and that the percentage of pupils occasioned by such activity is at least five per cent of average daily attendance. This absolute number in turn must represent an increase of more than ten per cent in average daily attendance since 1950-1952. Furthermore aid will be given only where additional construction is shown to be necessary to handle the increased load, whatever the size of the increase has been. Thus small increases in attendance due to federal activity will not be a sufficient justification for federal assistance for new construction. Even when granted, federal aid does not cover the whole cost of construction. It may reach a maximum of 95 per cent, where the parents of children who occasion the increased load both live and work on federal property. It will be only 45 per cent if parents work on federal property, but live outside it.

Aids to school operation which are continuing, though on a decreased basis, similarly require either that at least ten per cent of the taxable property of the area be in federal hands, or that there have been an increase of at least ten per cent in attendance since 1950 occasioned by some federal activity. Payments are on a downward sliding scale of the average cost per pupil, and only 25 per cent of such costs have been payable since June 30, 1954.

Eighty-two districts in Illinois received a total of 1,650,000 dollars for operating costs in fiscal 1954 under this program. Such assistance represented less than one per cent of operating costs for some districts and as much as 54 per cent for at least one. Forty-eight districts in that year received or had pledged to them funds for construction costs to a total amount of 8,886,000 dollars. Thus the amount of assistance was small on a statewide basis but undoubtedly of the greatest assistance to districts which had a disproportionate burden thrown on them by increases in school population associated with federal airfields, ordinance plants, et cetera.

In a program of this type local resources are supplemented to help the affected school districts to carry a load which is caused by federal activity in their area and which would otherwise be beyond their capacity to carry. There is no influence on the kind of school program being carried on, nor on the standards or equipment of school buildings. The federal assistance given is paid directly to the local school districts and the Superintendent of Public Instruction is limited to the facilitating of the program.



Land Grant Colleges

Compared to the programs already discussed, the extent of federal aid to land grant colleges is on a very small scale indeed. The land grants are now a matter of history; they did not set up a continuous payment, but rather were in the nature of an endowment. Present grants are on a lump sum basis of approximately 70,000 dollars per year per state with another sum being distributed among the states on the basis of population. This grant makes no requirements other than that the money be used to support the land grant college and that an annual report be filed. There is no requirement of matching funds. The agency which distributes the money and receives the reports is the U. S. Office of Education.

Rather more money is distributed among the states for agricultural research which supports those activities of the land grant colleges which are carried on through state agricultural experiment stations. In Illinois the experiment station is an administrative entity indissoluble from the University of Illinois College of Agriculture. A considerably larger sum is available for cooperative agricultural extension work, in Illinois an activity also administratively centered in the College of Agriculture. However, these aids to agricultural research and extension are considered in connection with other types of federal assistance to the agricultural activities of the states in Chapter VII.

Table 13 - III

State and Federal Expenditure for Public Elementary and Secondary Education in Illinois for the Fiscal year ending June 30, 1956

	Total	Federal Share	Percentage represented by Federal share
	\$	\$	
Operations of Office of Superintendent of Public Instruction	998,500		
Aid to local school districts:			
Education exceptional children	5,475,000		
Normal schools	1,424,000		
Junior colleges	896,000		
Pupil transportation	5,100,000		
Apportionment from common school fund	90,112,400		
Federal aid for school milk	3,423,600	3,423,600	100%
Federal aid for school lunch	2,516,000	2,516,000	100
Vocational education:			
Administration of program	429,700	233,000	
Aid to local school districts	3,950,000	1,237,800	
Total state expenditure vocational education	(4,379,800)	(1,470,800)	33.6
TOTAL	\$ 114,324,800	\$ 7,421,000	6.49%
Percentage		100%	

Source: Illinois Department of Finance, Annual Report, Fiscal year ending June 30, 1956

NOTE: Dollar figures rounded to nearest hundred. Includes funds disbursed through state treasury. Does not include receipts from local revenues.

Table 14 - III

School Lunch Program in Illinois, fiscal year ending June 30, 1953

	Maximum No. Parti- cipating schools	Per cent of Parti- cipating schools	Maximum en- rollment Participating schools	Per cent of enroll- ment	Meals served at no cost	Type		State Reimburse- ment
						A: or B	C milk only	
Public Schools								
Cook County	609	18%	475,289	38.62%	944,976	10,555,605	19,870,218	618,056
Other	2,089	62	501,044	40.72	1,776,171	29,490,270	13,599,077	1,310,715
Parochial Schools								
Cook County	365	11	181,587	14.76	181,587	2,867,236	11,666,924	230,208
Other	208	6	51,763	4.21	51,763	2,972,400	1,884,399	137,262
Welfare Centers								
Cook County	83	2.5	19,528	1.59	19,528	215,936	146,061	10,098
Other	18	0.5	1,331	.10	1,331	766,390	13,842	3,768
All Schools and Centers	3,372	100%	1,230,542	100%	3,427,373	46,192,311	47,140,521	2,310,108

Source: Illinois Superintendent of Public Instruction, Annual Statistical Report, 1953.

Table 15 - III

Federal Aid for Current Operating Cost to Schools in Federally Affected Areas in Illinois, Fiscal Year Ending June 30, 1956 -- Public Law 874.

	<u>Number of Units</u>	<u>Federal Con- tribution</u>	<u>Total Expenses</u>
		\$	\$
School districts receiving over \$100,000 per year*	4	931,795	3,294,047
School Districts receiving \$50,000 to 99,999	7	397,308	6,526,687
School Districts receiving \$20,000 to 49,999	9	207,907	7,046,749
School Districts Receiving \$1,000 to 19,999	62	413,385	15,525,349
TOTAL	82	\$ 1,950,395	\$ 32,392,852

Source: Commissioner of Education (U. S. Department of Health, Education and Welfare): 6th Annual Report on the Administration of Public Law 874 and 815. Year ended, June 30, 1956. Tables 1, 12, and 15.

* Districts are North Chicago School District No. 264
Rantoul School District No. 137
Mascoutah Community Consolidated School District No. 10
Waukegan School District No. 161

Table 16 - III

Federal Aid for School Construction, by Counties, Fiscal Year
Ending June 30, 1956: (Public Law 815)

<u>County</u>	<u>Districts Receiving Aid</u>	<u>Amount Allocated Fiscal Year 1956</u> \$
St. Clair	5	1,612,291
Champaign	2	2,579,417
Carroll	1	211,298
Cook	6	511,146
JcDaviess	1	160,770
Lake	7	2,254,112
Madison	3	1,097,512
Will	5	334,630
Henry	1	130,055
Winnebago	5	1,394,840
Ford	1	86,043
TOTAL	37	10,316,467

<u>Aid for School Construction</u>	<u>Illinois 1951-1956</u>	<u>Including U. S. and Illinois</u>
total approved projects	50	2,550
number classrooms provided	494	26,067
pupils provided for	14,370	761,541

Source: Commissioner of Education (U. S. Department of Health, Education and Welfare): 6th Annual Report on the Administration of Public Law 874 and 815. Year ended, June 30, 1956. Tables 1, 12, and 15.

Table 17 - III

Grants for Organized Research: University of Illinois, Fiscal
Year Ending June 30, 1956

U. S. Government Contracts	\$ 5,281,204
Grants for Agricultural Experiment	652,059
Private Research Contracts	<u>1,513,148</u>
TOTAL Expenditure	\$ 11,164,520
Per Cent of Expenditure for all Organized Research Represented by Government Contracts	53.14%
Land Grant Endowment Income	\$ 32,541
Morrill Act as Amended	156,906
Agricultural Experiment Station	625,059
Agricultural Extension	<u>1,351,597</u>
TOTAL	2,187,913
U. S. Government Research Contracts	<u>5,281,204</u>
TOTAL All U. S. Grants	\$ 7,469,117
TOTAL University Expenditure All Purposes and Funds including Federal Grants	\$ 60,804,621

Source: University of Illinois, Report of the Comptroller, Fiscal year ending June 30, 1956.



CHAPTER IV

HEALTH, HOSPITALS, AND MENTAL HYGIENE

Financial assistance to state and local health departments began with grants to the states for the control of venereal disease which were first provided in 1918, as a direct consequence of war time mobilization. In 1921 the field of federal participation was broadened by the Shepard Towner Act which provided grants for the welfare and hygiene of infants. The grants for venereal disease control ended in 1922 and those under the Shepard Towner Act in 1929. The extent of cooperation between the United States Public Health Service and state and local health departments was by no means so circumscribed either in time or interest as these grant-in-aid beginnings might suggest. Assistance in planning, the loan of personnel, the provision of educational material, the exchange of information, arose in an earlier period and covered the whole field of public health work. The U. S. Public Health Service received appropriations to support demonstration public health projects in rural areas. Such projects were operating in 24 states by 1938. Nevertheless the first continuous provision of grants for health purposes began with the Social Security Act of 1935. By this legislation both the Public Health Service and the Children's Bureau, the one in the Treasury Department, the other in the Department of Labor, were authorized to provide grants for state public health work. The Public Health Service was to provide grants for general public health work, under several categories, and the Children's Bureau was to provide assistance for maternal and child health work and for corrective work for crippled children. More recently grants have been provided for hospital construction by the Hill-Burton Act of 1946, and for mental hygiene by the National Mental Health Act of the same year. Both of these programs are administered by the Public Health Service.

Except for Crippled Children's Services and Mental Hygiene, health activities in Illinois are carried on by the State Department of Public Health, which receives grants from both the Public Health Service and the Children's Bureau. The State Department of Public Welfare operates the mental hospitals, among other activities, and now operates the mental health clinics which receive federal funds under the Mental Health Act. The University of Illinois provides services for crippled children through its Division of Services for Crippled Children and receives grants for that purpose from the Children's Bureau.

The allotments of money under these programs are variously based. Total population is sometimes used in such fields as general health, cancer and heart disease, hospital construction, and mental hygiene. Sometimes it is based on such factors as the relative proportion of live births or rural child population in a given state. These bases are used for infant, maternal and child health grants. In all grants for public health the proportion of state matching funds required varies with per capita income. In some programs the state matches federal funds dollar for dollar, in others it contributes one third and the federal government two thirds. In hospital construction the matching share may come from local governments or even from non-governmental sources. A part of the maternal and child health grants and of the crippled children's service grants do not need to be matched. The allotment formulas, of which there are half a dozen or more in the health field, tend to make more money available to the poorer states both absolutely, and in terms of the proportion of the total expenditure which will be paid from federal funds, but do not have this result in every case. In the recent report of the Commission on Intergovernmental Relations there was criticism of these formulas because they do not apportion funds in accordance with the financial capacity of the states. The Commission found that states which received a high proportion of federal contributions relative to their expenditures for health services included some states with very low per capita incomes, but also some states with very high incomes per capita.

In public health grants, in contrast to public assistance grants, money goes to the state and local agencies for the provision of services; there are no grants to individuals. The whole program is preventive, or set up on a demonstration basis. Only in exceptional cases are medical services provided to individuals. The provision of medical care to indigents is a matter for public welfare services, not for public health. The requirements of federal legislation therefore have to do with organization, the qualifications of personnel employed, the extent of state or local matching funds, and the type of service to be provided. Controls are less detailed than those imposed in the public assistance programs in which hundreds of thousands of individual payments must be policed in some fashion. Federal health grants are categorical. That is they must go to specified purposes; the whole sum of the grant is not available for any purpose in the field of public health to which the state might wish to devote it. To this extent the federal program may impose a pattern of expenditure on the state different from that which would otherwise obtain. Not only is money from the federal government available for certain health activities and not for others, but the states to receive that money, must add to it money of their own. To

assure that there is a balanced program, the Public Health Service and the Children's Bureau both require that the state must prepare a complete public health program, including both aided and unaided activities, in order to qualify for assistance. Thus, the specific activities which the federal government supports must be justified as a part of a well rounded health plan. In this as in other grants provided through the Social Security Act, there must be a merit system for recruiting state personnel who will receive federal funds. The ordinary operation of the State Civil Service System satisfies this requirement for state personnel.

Grants for health are not a matter alone of federal grants to the state. The state also provides assistance for local units of government which undertake to provide public health services through a full time public health staff. These may be county units, or they may be set up on a district basis. Grants are on a per capita basis determined by the population of the health service unit. Of the funds so made available, some come from the state treasury, and a part from the federal grants to the state.

It would be hard to state briefly the wide variety of activities which are included in the health program and supported directly or indirectly by federal assistance. Table 19 lists the major activities of the department as they are shown in its budget and the approximate expenditure for each. The department compiles and analyzes vital statistics, that is births, deaths and morbidity data, which are essential to the continuing development of all programs of public health and medical research. It provides laboratory services for diagnosis, testing, and control, for its own staff, for local health departments and for private physicians who do not have access to such services in their own area. It produces biologicals for free distribution to public health agencies and private physicians. It licenses and inspects hospitals and nursing homes. It assists public and private schools in the development of health education. It provides health education for the public at large. It operates clinics, demonstrations, and does educational work in both communicable and chronic diseases. It licenses and controls the operations and construction of water and sewage disposal facilities in the communities of the state. It controls stream pollution. It licenses fluid milk handlers in areas where other agencies do not operate. It stands by to diagnose and assist in the control of outbreaks of epidemic diseases. It now operates two tuberculosis hospitals, a new venture for the state of Illinois. It administers the grants system for hospital construction under the Hill-Burton Act. Of all of these activities the ones which have received the largest proportionate federal support have been maternal and child health, tuberculosis control, cancer control, heart disease control, and venereal disease control.



Hospital Construction Programs

Aid to local hospital construction began in Illinois only when federal assistance was provided. In the years immediately after the war, some of the state's post war surplus was made available to supplement federal grants to local hospitals. To qualify for assistance in hospital construction a state must prepare and keep current a survey of hospital needs. The Public Health Service, in cooperation with the State and Territorial Health Officers, establishes the standard of beds per unit of population which is the basic measure of hospital needs. The results of the survey therefore indicate the areas which have the highest priorities for aid. These are embodied in a state plan which must be approved by the Public Health Service. Once this is approved applications from individual sponsors are considered. These require detailed proposals as to construction and equipment, services to be provided, and arrangements for administration and financing. These proposals are received and approved by the state Department of Public Health before being submitted to the P.H.S. The state is obliged to provide licensing and inspection to insure that the future administration of the hospital will be such as to fulfill the purpose of the federal grant. Each hospital so constructed is required to provide a certain amount of space for patients unable to pay for their own care, depending on the extent of such free service available in other institutions in the area. Comparable facilities must be available to persons of all races. Since only part of the costs of construction are provided by federal grant, and since the state is not currently appropriating for this purpose, the balance of construction costs must be raised by the sponsor, either a local government or a charitable organization. The proportion of construction costs which will be met from federal funds is calculated by a complex formula in which per capita income is inversely related to the federal share of the projects in that state. Of the national total of expenditure, the federal government will contribute 50 per cent. As in all construction projects in which federal moneys are spent, the contract must be let by competitive bidding and minimum labor standards, including the payment of prevailing wages, must be met. As the accumulated deficiencies of the past are being met, the number of projects being started is declining, although there is a considerable expenditure on projects already under way. Perhaps the most difficult problem of the immediate future will not be the provision of hospital facilities but finding the money to operate properly those already in existence. The low incomes of the areas in which many have been built will make it difficult to finance them either from private or local public sources.

As of September 1956, 73 hospitals or other medical facilities had received federal grants for construction projects. The earliest project to be occupied was completed in 1949. Thirty two projects are currently pending. The great majority of the hospitals to receive aid are non-profit private hospitals, 60 out of the total of 73. The public hospitals were state, city, county, township and district operated. There were four public health centers and two laboratories in addition. The total construction costs of these projects were over 114,000,000 dollars, of which 29.6 million or approximately one quarter was contributed from federal funds, 8.5 million from state, and 76 million or the balance, almost three quarters, by the applicants. Six thousand beds were provided by these additions of which over two-thirds are general hospital beds.

Mental Hygiene Programs

Mental hygiene grants are rather recent. They represent a stimulation to the states to move in a desired direction such as had played a large part in the origin of most grant in aid programs. The scale on which they are provided at present is such that they are more important as a means of stimulating a new activity than as a means of financing it at an adequate level. It is notorious that most of the effort in the field of mental health in the past has been in the provision of institutions for custody and attempted cure rather than prevention or early treatment. Grants in aid for mental hygiene are for the setting up of clinics for diagnosis and treatment of mental illness in its early stages before institutional care is necessary. Since state funds are so heavily committed to the maintenance of existing mental hospitals this type of federal aid is a very welcome addition to the financing of a relatively new program. In Illinois the Department of Public Welfare operates the mental hospitals, and it now receives directly the federal funds which are available for clinic care.

The Department has been able to finance a greatly expanded number of community mental health clinics, out of state as well as federal funds. Since the state has been requiring that patients in the state hospitals able to do so pay for part of the costs of care, income from this source has been accumulating in a special mental hygiene fund which can be spent only for research and preventive work. State and federal funds together therefore support outpatient services in a number of cities in the state. With the expansion of state expenditure, federal contributions meet a relatively small part of the costs of the program. The principal limits on expansion just now are not the availability of finances but the shortage of trained people to staff the clinics.

Program for Crippled Children

Crippled children's services is another specialized health activity which is carried on outside of the state Department of Public Health. Like other health grants, federal aid for this Service was first provided in the Social Security Act of 1935. When Illinois came under the program, the University of Illinois was designated as the administering agency in this state. It was already providing services for crippled children which preceded by many years the federal grant for such services. Federal grants are administered through the Children's Bureau. Like other grants originating in the Children's Bureau, the federal grant is in two parts. One part provides a certain sum per state based on child population and per capita income, and does not require matching. The other part, allotted on the same basis, does require matching. Thus, the poorer states are required to provide a lower proportion of state matching funds than are the more wealthy.

Crippled children's services go directly to the children who need help to overcome some crippling condition and whose parents cannot pay the cost of the necessary medical and surgical care. The two essential activities are case finding, which is done through clinics organized in cooperation with local medical societies and private physicians in the various areas of the state, and the actual provision of necessary services. Treatment is arranged through whatever hospitals and medical specialists are best able to correct the child's impairment, and costs are met out of the state's treasury, as supplemented by federal funds.

The staff of the program is primarily medical and the Division of Services for Crippled Children is a unit within the Chicago Professional Schools of the University. Nurses trained in orthopedics are stationed in various parts of the state and have the immediate responsibility for organizing the case finding activity. The medical staff, which includes consultants in various parts of the state, decides what restorative measures are called for and what facilities are available to provide them, including the University's own Research Hospital. In this program there is a considerable amount of cooperative activity between groups of states and the Children's Bureau. Chicago is a regional center for medical research under the program and the Illinois Division in cooperation with hospitals and medical schools in the Chicago area has undertaken research work in the correction of a number of crippling conditions. The state expenditure on this program has grown steadily, until federal funds pay a relatively small part of its current cost. Like other grant programs however, a plan of services and a budget are submitted for approval. As indicated, there is a considerable amount of consultation and cooperation between the medical staffs of the Children's Bureau and of the Division.

In considering the effect of federal aid on the work being done in the field of public health within the state of Illinois one must recognize that to some extent the existing program is shaped by the availability of federal aid and by the presence of an administering federal staff. In some health activities there is much more federal money than in others. This both supports these activities at a higher level than state funds alone might support them; it also frees funds for expenditure of non-aided activities. In some activities there has been a considerable variation in the level of available federal funds from year to year which has resulted in wasteful variations in the level of aided activities. On the other hand, federal funds are also available for some purposes for which the state has been very reluctant to provide money. The most important of these has been the training of health (and also welfare) personnel. Costs of attendance at approved institutions have been paid, and persons in training receive their salaries during the training period. This has enabled people to get specialized training in such fields as public health engineering, orthopedic nursing, psychiatric nursing, medical social work, and health education. People who entered the department with a basic training in medicine, dentistry, nursing, or sanitary engineering, have been enabled to get further training in public health administration and problems, including training in special fields. In view of the shortage of trained people in all of the fields related to health this has been absolutely necessary to provide a minimum staff for essential operations.

The general operation of the department has also been affected. The department is able to profit by the experience of other states. Its specialists in various fields receive encouragement and assistance in shaping their programs, whereas otherwise there may be relatively little interest in the work which they are doing. Federal grants, while not large in comparison to grants for other purposes, make up a significant part of the department's budget. The department has not fared overly well in state budgeting and appropriation decisions. When federal contributions have been reduced, as in the provision of facilities for the care of premature infants, who account for an unduly large share of the total of infant deaths, the state has not readily taken up the slack. Thus even in a comparatively wealthy state important activities of the health department are dependent on federal aid for their continuation at a reasonable level.

Table 18 - IV

Grants and Expenditure for Illinois Crippled Children's
Services, Fiscal year ending June 30, 1956

Total expenditure	\$ 2,039,519	100.0%
Federal reimbursement	445,732	21.9%

Source: University of Illinois Report of the Comptroller, 1956.

Table 19 - IV

Expenditure of the State Department of Public Health from State
and Federal Funds, Fiscal year ending June 30, 1956

	<u>Total Expenditure</u>	<u>Federal Share</u>	<u>Federal share as per- cent of expense</u>
General Administration	\$ 844,838	\$ 321,401	36.06%
Dental Health	111,131	50,571	49.10
Hospitals and chronic Illness ^a	396,668	125,200	31.56
Laboratory	902,497	53,419	6.29
Local Health Services ^b	402,936	18,037	4.48
Milk Control	100,042	19,414	19.41
Preventive Medicine ^c	3,108,118	1,447,221	46.45
Sanitary Engineering	361,681	35,776	9.89
Tuberculosis control ^d	196,172	106,770	54.33
Aid for Hospital Con- struction	2,873,381	2,873,381	100.0
Grants for care of hospi- talized tuberculosis patients	2,077,871	-----	---
Grants to local health departments	721,935	102,978 ^e	14.26
TOTAL	\$ 12,097,290	\$6,288,456	51.98
Total less hospital construction	9,223,909	3,415,075	37.0

Source: Department of Finance, Annual Report, 1956

a Primarily cancer and heart disease

b Not including grants to full time county health departments,
listed separately.

c Control of epidemic and other infectious diseases; purchase of
polio vaccines to total of \$2,130,299, with federal contribution of
\$1,130,200, or 53.05% included in this total.

d Grants for care of tuberculosis patients by local hospitals
listed separately.

e Estimated from previous biennium

CHAPTER V

PUBLIC WELFARE

The ordinary usage of public discussion gives the term "Public welfare" the particular meaning of special assistance to members of the community who apparently could not survive without it. Examples of public welfare are such diverse activities as public assistance, various measures for the protection of children, the control of juvenile crime and delinquency and vocational rehabilitation. The care of the mentally ill and employment security are related activities, but these are dealt with in other sections.

The earliest example of federal expenditure to support state welfare programs was the Maternity Act of 1921 which provided money both for maternal and child health services and for welfare services to needy mothers. Expenditures under this early effort ceased in 1929, though the Act authorizing them was not then repealed.¹ In the same year grants to the states for vocational rehabilitation were authorized. Not until 1931 did federal aid for welfare purposes extend to programs involving the large numbers of persons and amounts of money with which we are familiar today. In 1931 state efforts to provide for the needs of the large numbers of persons made destitute by the depression of that year were supported by federal loans, the repayment of which was later remitted. After 1933 the federal government took over a large share of all relief costs. By 1935 federal grants for the unemployed had come to be limited to work relief, the states being left with the costs of assistance to the unemployable. In practice the combination of work relief and public works was never able to employ all of the employable, and the state's relief burden was correspondingly large.

As the federal government undertook new responsibilities in a time of economic crisis, so did the states. Previous to 1931, welfare, except for institutional care, and a few special programs such as assistance to mothers with young children, was left to local units, cities, counties and townships. In many places it was largely provided through institutions such as the county poor farm, or through payments in kind on an emergency basis. As the depression continued, the states undertook to pay a larger and larger share of relief costs, and money payments to sustain persons in their homes became the normal method of assistance, where institutional care was not required.

1. This act provided the occasion for a test of the spending power of Congress and confirmed it as being virtually beyond judicial limitation. Massachusetts vs. Mellon, 262 U.S. 447 (1925)

These developments were put into a very systematic form by the Social Security Act of 1935 which provided not only for relief to the needy, but insurance against loss of income from age and unemployment, and grants for health and child welfare. The matter of relief was put on a categorical basis, with federal aid being extended to several categories of needy persons with varying eligibility requirements.

The categories set up for federal grants have become the standard legal and administrative basis for relief to the needy in all of the states. They are: grants to the needy aged, or Old Age Assistance; grants to needy mothers with young children, or Aid to Dependent Children; and grants to the needy blind. Since then the totally disabled have been added as a grant category. States receiving grants under these categories were required to base assistance on need - the consideration of income and property in relation to the cost of the necessities of life, and to limit assistance to the difference between resources and need. People outside of these categories who might become destitute were and are solely the responsibility of state and local government. Originally, old age assistance payments, with federal participation, might not be made to persons living in institutions. Now payments may be made to aged persons living in public or private nursing homes, if there is state licensing and inspection of such homes. Thus provisions of the Social Security Act embodied the whole transformation of "relief" into "public assistance" with its systematic investigation of resources and a standard scale of need. The pressure of the administrative load and of cost had already forced the states in this direction. The Social Security confirmed the trend and made conformity to it the price of federal contributions to the large assistance outlay.

The categories in the public assistance program are self-evident. The Old Age Assistance category includes persons with a year's residence in Illinois, who are 65 or older, and who have an income inadequate for their needs. They are ineligible if they are in a mental hospital, though they may be patients of a nursing home, privately or publicly operated.

Aid to Dependent Children is a more complicated category since it is available to both children under 18 and a mother, or a person who undertakes the responsibility of a mother, who live together as a family unit, and who are without income because of the death, disability or desertion of the father. It probably embodies most completely the general purpose of the Social Security Act -- to encourage the states to base their welfare programs on the maintenance of the family unit in its own home, whenever possible. The Blind Assistance and the Totally Disabled programs provide for persons

of whatever age whose handicaps prevent their earning their own way. Both are now coupled with a requirement that the aided person apply for vocational rehabilitation so that his earning power may be restored, if that is possible.

There are various other requirements in the Social Security Acts which the states must meet, besides respecting the limits of these categories. They require the states to provide assistance to persons who meet certain standards of eligibility, and to limit the assistance they provide to persons actually in need. Thus, maximum residence requirements are set out for all programs, and certain minimum conditions of eligibility are defined. For the aged, not more than five years of residence in the state out of the last nine years previous to the application may be required. The Illinois requirement, as in most other states, is a year of residence prior to application. There is a similar maximum residence for the blind and the totally disabled, and for both of these the Illinois requirement is also one year. The maximum residence requirement for the ADC program is set out at one year; in Illinois a year's residence by either mother or child is sufficient. Blindness and disability are defined in the federal statute. There is a minimum age for recipients of old age assistance, and a maximum age for dependent children.

Before the crisis of the depression of 1931 few states had any statewide administration of general welfare programs. When state assistance was provided to the welfare activities of local units, it was provided with very little oversight. After 1931 most states improvised state agencies for disbursing the state and federal contributions to relief costs, most of them like Illinois setting up a Temporary Emergency Relief Administration of some kind, which distributed money to local units. The Social Security Act requires that there be a state agency supervising all local agencies which disburse federal funds, if public assistance is left in the hands of local governments. All disbursing agencies must be public rather than private. The early relief efforts often worked through existing private charitable organizations. The program must be statewide, with statewide standards of eligibility and need. By amendments in 1939, all employees in assistance programs must be selected under a merit system. Persons denied relief must receive a hearing on the reasons, if they request it, and information concerning applicants must be safeguarded against improper disclosure.

If these requirements seem unnecessarily specific it must be remembered that in 1935 all kinds of experiments in providing relief were underway. The aged were already a favored group with state legislatures and in some states grants were made to the aged without any investigation of resources, the assistance given being regarded as a pension, a term still used in fiscal reports in Illinois.

County standards might vary greatly, depending on the prejudices of local officials and the wealth of the local area. The ideal of setting up an administrative system which would permit all applicants to be treated fairly and yet avoid dissipating funds by grants to those who did not need them was reached only by trial and error.

The setting up of a more reliable administrative system in which the state provided standards and oversight was accompanied by a steady shift of the costs of relief from local to state treasuries. In Illinois the whole relief load, except for general relief, was transferred to the state, though in stages, not all at once. The requirements of the Social Security Act reflected needs of which the states were becoming aware at the time of its passage. In the early years the provisions of the act undoubtedly did coerce the states into achieving more order and uniformity in administration than they might have achieved on their own motion.

In addition to the above requirements for states receiving aid, which are embodied in the Act itself, there are administrative regulations which are set up by the Department of Health, Education and Welfare, more particularly by its Bureau of Public Assistance. The Department through the Bureau approves all state laws on public assistance programs, administrative organization and procedure, and state policies, for conformity to the federal act. For example, a change in a state law which made old age assistance for all persons over 65 a matter of right, regardless of need, would contravene the standards of the Social Security Act, and make the state ineligible for federal grants. In addition the Bureau, through its field representatives, operates a continuous system of inspection and audit.

Now that public assistance policy, administrative organization, and procedure are a relatively settled matter there is little occasion for specific approval or disapproval of most aspects of state operations. Budgets must be submitted annually however, and must be approved before the state is eligible for reimbursement. Legislative and administrative changes in the basic scheme must be approved by the Bureau and they are incorporated into the state plan of operations already on file. One of the requirements of this as of other aided programs is that employment of staff be on a merit basis, and a regional staff member is assigned to checking on state compliance with personnel standards and to giving them such assistance in personnel matters as they request.

The assistance part of the welfare program is in the hands of the Public Aid Commission in Illinois which has its headquarters in Chicago. Assistance was split off from the Department of Public Welfare in 1941 where it had been placed after the Temporary Emergency

Relief Commission was abolished. The Commission is bi-partisan and its members are not expected to give full time to the details of administration. They appoint an administrative secretary who is the active head of operations. The handling of applications is in County Departments of Public Welfare in each County, which are little more than the local administrative offices of the Commission. However, there is an advisory board for each county, appointed by the county supervisors, who in turn appoint a superintendent and subordinate staff. The superintendent and his staff must be appointed from lists established by the examinations formerly given by the Merit System Council, now by the new Department of Personnel. As liason between the headquarters staff and the county departments are five regional offices, each with a group of counties under its supervision. All salaries and all costs are paid from the state treasury. The general assistance program which covers all cases of need which do not fall into the categories of the needy aged, dependent children, blind or totally disabled is left to township or to county authorities.

Also in Chicago is the regional office of the Department of Health, Education, and Welfare which is responsible for Illinois and many of the grant programs among other states in this area. The Bureau of Public Assistance has representatives in that office who negotiate such questions as come up with the state agency receiving the assistance grants, and who handle the work of advice, inspection and audit. All payments to the state are audited even to the audit of a sample of case records both to insure that only persons receiving assistance receive it and to check on whether or not apparently eligible persons are being refused assistance. In the course of this work, and the course of various cooperative enterprises such as training of staff and the restudy of procedures, the regional staff attempts to keep informed about the policies in effect, the degree of effectiveness of state administration and the continued exclusion of improper influences.

Federal financial support for public assistance takes the form both of participating in the payments to individuals and of sharing administrative expenses. Thus, each payment made to an eligible mingles federal and state money according to a set proportion. That proportion has steadily tended to include more federal money. In the 1956 session of Congress the federal share of old age assistance payments was increased to four fifths of the first 30 dollars per month per person and one half of the balance up to a maximum total payment of 60 dollars. Any amount beyond that would be entirely a state matter. Thus, a payment of 60 dollars per month to an individual would represent 39 dollars from the federal treasury and 21 dollars from the state. In the Aid to Dependent Children Program, a payment of up to 32 dollars was

authorized with federal participation for a needy adult who is the homemaker, 32 dollars for the first child and 23 dollars for each additional child. Of this amount the federal government will pay 14/17ths of the first 17 dollars of the average per person per family, and one half of the remainder. Thus, if payments averaged 30 dollars per person in a large family, the federal government would pay 20.50 dollars of that 30 dollars per person, or over 2/3 of the assistance provided. In the future allowances which are made for medical expenses will be apart from the totals of these subsistence payments, so the total for which federal reimbursement is still further increased. Half of approved administrative expenses are reimbursed. On the average in Illinois about half the total costs of the public assistance programs are paid from federal grants.

The general assistance program which is left to county or township authorities, depending on whether township organization is in effect or not, provides for state participation in general assistance costs only if the administering unit levies a property tax of stated amount, and if the proceeds of this tax are insufficient to meet legitimate relief costs. In about twenty counties in Illinois one or more townships receive state assistance in their welfare load. In the counties which receive state assistance, standards of eligibility and of assistance are supposed to be uniform with what they are in the other assistance programs. Administration in most counties is in the hands of township supervisors, who are not likely to have a trained staff, if they have any assistance at all. A comparison of the average level of payments per person between counties and between general assistance and the state administered aspects of public assistance show something of the effect of federal and state as against local administration. The state administered public assistance payments are both higher and more uniform.

From the standpoint of the federal budget, public assistance grants have a peculiarity which has made them the objects of criticism by the recent Commission on Intergovernmental Relations. They are "open ended" as compared with highway grants, or grants for agricultural research and extension. There is no fixed amount which will be distributed by an allotment formula to each state. Rather, payments to each state are dependent on the number of persons who receive aid and the extent of state payments. This leaves the total federal commitment for any fiscal year indeterminate. On the other hand the state itself cannot budget expenditures under such a program exactly since they are made in response to individual needs which are determined by large uncontrollable conditions. In one period there may be an unexpended balance, and in others, as has been true of recent fiscal periods, a supplementary appropriation may be necessary unless the level of assistance is to be

drastically reduced. The present form of the grant assures that a reasonable uniform proportion of the expenditure will be met from one year to another and that federal monies will not be misused since there is participation in each individual grant, and reimbursement may be refused for individual payments if they are found not to be proper.

A more telling criticism is the influence which the present grant provisions exert on state expenditure. States are encouraged to spend their money on the parts of the relief program in which the federal government participates and to slight general assistance for which state and local government must bear the whole cost.²

Child Welfare Services and Vocational Rehabilitation

Whereas the assistance programs are primarily concerned with money grants to those whose immediate problem is lack of income, the services discussed in this section attempt to either avoid or cure some of the conditions which result in dependence. Vocational rehabilitation is a direct step in this direction; child welfare services have a more indirect, but probably no less effective impact. We begin with the latter. The Child Welfare Services provision of the Social Security Act authorizes a relatively small appropriation for distribution among the states. Forty-thousand dollars is available annually to each state and the remainder of the sum currently appropriated is distributed in the proportion of the rural population under 18 of each state to the whole rural population of that age group in the United States. There is no specific requirement for state matching funds, but state participation is expected in proportion to the state's ability. This is a matter for negotiation rather than for rule.

The provision for distribution according to rural population is an indication of the major purpose of this grant. The services to be provided are intended to strengthen homes and to provide care for neglected and delinquent children in rural areas in which such services are relatively unavailable.. The rural local public authorities who are charged with the care of neglected and delinquent

2. James A. Maxwell, Federal Grants and the Business Cycle, National Bureau of Economic Research Inc., 1952. Maxwell says that New York in 1946 spent three times as much on the categorical programs as on general assistance in 1946; whereas Mississippi spent 188 times as much. He suggests that in a largely agricultural state like Mississippi the number of persons likely to be in need of general assistance is likely to be far greater than in New York.

children are generally able to provide only fiscal assistance and institutional care. The location and supervision of foster-care homes, the investigations necessary to adoption proceedings, the provision of counseling services to families with problem children or to problem families, requires persons with training and experience who are not ordinarily available through public or private agencies outside of very large cities. It is to assist in the creation of such services and to provide some trained staff that child welfare grants are made. Since each state has different problems and different facilities there is no standard plan to be followed. The only uniform requirement for all states is that there must be some state agency to receive grants and oversee their expenditure and that all state personnel be employed on a merit basis.

In Illinois, child welfare services are the responsibility of the Division of Child Welfare Services in the State Department of Public Welfare. The principal work of the department is the management of state mental hospitals and of schools for the handicapped. Nevertheless it has the legal authority to operate various programs for the protection of children and license child caring agencies of all kinds. The field offices which it maintains for various non-institutional services include child welfare specialists on their staffs whose salaries are partly paid with federal funds. Their services are available to county courts and other local authorities charged with the welfare of children. The state also cooperates with various local governments and with private agencies in supporting child guidance clinics in localities which desire them and are willing to share in their support.

A considerable part of the federal grant is used in subsidizing training for child welfare work. Those who are accepted for such training alternate periods of attendance at graduate schools of social work and periods of work for the department or for one of the cooperating local agencies. Once their training is completed they are pledged to work for another period of two years before they are free to consider other jobs.

The grants for Child Welfare Services are administered by the Children's Bureau which is a unit within the Department of Health, Education, and Welfare. It has representatives for child welfare services in the regional office of the Department in Chicago. As in other grant programs a plan must be filed, which can be amended from time to time, and budgets are negotiated annually. Since there are few statutory requirements, the process of negotiation is flexible and the state largely determines its own program. Since the state staff is small, there is considerable use of the Children's Bureau regional staff for consultation on the

development of new programs and in the evaluation of existing work. On the whole grants in this field have not been as successful in inducing an expanded state program as they have been in such activities as vocational rehabilitation. Without federal support this type of activity would undoubtedly be considerably curtailed.

Vocational rehabilitation is a welfare activity which until recently has been administered apart from other welfare programs. It began as a function of the U. S. Office of Education in 1920, at the close of the first World War, to provide a service to those injured in industry and to wounded servicemen. Vocational Rehabilitation provides measures such as physical restoration, training and vocational counseling which are necessary to restore the injured or the handicapped to useful employment. Grants to the states for this purpose are administered by the Office of Vocational Rehabilitation, once a part of the Office of Education, but now a coordinate unit within the Department of Health, Education and Welfare.

This grant is one of the few which imposes an administrative pattern on the state which would probably not be used if there were no federal requirement. By the terms of the original federal act, the state Board of Vocational Education must be designated as the administering agency, except for the rehabilitation of the blind, which may be placed elsewhere. In Illinois, the Vocational Rehabilitation Service provides rehabilitation services for the blind. This Board in Illinois is partly appointed and partly ex-officio, made up of the Superintendent of Public Instruction, the heads of certain state departments and others specifically appointed. The Vocational Rehabilitation Service, which has charge of the program in Illinois, is therefore nominally under the control of the Board of Vocational Education, but the Director of the Department of Public Welfare is designated as executive officer. The active head of the Service is the Supervisor.

In addition to the requirements as to overhead organization, the statute authorizing grants to the states for vocational rehabilitation requires that a state plan be submitted indicating policies and methods and limiting assistance to employable individuals as prescribed by the Secretary of Health Education and Welfare. Acceptable personnel qualifications must be set out. Once the plan is approved, annual budgets must be submitted and approved. States are required to provide services to any civilian employee of the United States disabled while in the performance of his duty and to any war disabled civilian.

In the last several years the availability of vocational rehabilitation has been extended considerably since various chronic conditions such as heart diseases, epilepsy, mental deficiencies,

arrested tuberculosis or mental illness are accepted as the basis of rehabilitation services. Furthermore, the federal statutes require that persons receiving total disability assistance and those getting disability payments under the extension of the Old Age and Survivors Insurance system be referred to the Vocational Rehabilitation Service. Even persons receiving Old Age Assistance who are thought to be potentially employable may be referred.

It is obvious that a great diversity of skills is demanded in the administration of such a program. Medical aspects of disability, the employability of persons with various kinds of skills, the available facilities for training, and the emotional and intellectual capacity of the persons being assisted, must be weighed in the decision to accept a case, and as to the course of treatment and training to be undertaken. The personnel of the program who do the work of investigating applications and working out a course of action for those accepted have the title of "counselors". The professional staff of the service includes 45 counselors, supervisors of specialized services, and medical, psychiatric and psychological consultants. The staff works through four regional and seventeen district offices, each with at least one professional staff member.

Once a case is accepted and a course of action worked out, the medical and training expenses beyond the resources of the applicant will be met including a subsistence allowance. About five hundred dollars was spent per case in fiscal 1956, and over four thousand handicapped persons were placed in useful employment in the course of that year. Orthopedic handicaps accounted for 43 per cent of the cases, tuberculosis, 23 per cent, and conditions varying from deafness to mental retardation accounted for the remainder.

In 1956 the federal appropriations for vocational rehabilitation were very greatly increased, and the grants put on a different basis. State allotments are proportional to population and per capita income, and whereas in the past no fixed matching expenditure was required by the states, now matching requirements are to be proportioned to per capita income. In fiscal 1956 nearly 64 per cent of the costs per case were supplied from federal funds. By 1964-65, Illinois will receive only 51 per cent of case costs. In the years between the federal share will be gradually reduced. Actual amounts available from the federal government will be larger, but to take advantage of them state expenditures will have to be substantially increased.

Surplus Agricultural Commodities

Like the school lunch program, to which it is closely related in its origin, the gifts of surplus commodities to the states are essentially a continuation of a depression-born means of supporting farm prices. The grants of foodstuffs to the states for use in state institutions and for distribution to those receiving public assistance permit waste to be avoided even though foods are withheld from the ordinary markets. The present authorization for such distribution permits the Commodity Credit Corporation to make grants of goods from its storage warehouses in order to avoid waste to school lunch programs, state and local public welfare agencies, and to private welfare organizations. There is a further authorization for the purchase of perishable agricultural commodities expressly for the purpose of donations to schools, charitable institutions, and needy persons. The school lunch programs receive the largest part of the commodities so purchased, but the distributions to institutions and to the needy are in very substantial amounts.

The largest problem which the state faces in taking advantage of these grants of surplus foods is in making arrangements for their distribution from the points at which the federal authorities make them available to the ultimate users. The Department of Agriculture does not undertake to distribute foodstuffs to the ultimate users or to repackage them in quantities suitable for the use for which they are intended. For the large users such as state hospitals, distribution is not a difficult undertaking, since they are few in number, and each can take and store relatively large shipments.

Scattered small scale users like the school cafeterias on the other hand present difficulties. The Office of the Superintendent of Public Instruction has the responsibility for setting up a distribution system for the participating schools in the state. This has been done through contracts with private truckers and warehouses, in the letting of which some controversy has developed.

A considerable degree of control is retained by the federal government in this program. The administrative arrangements are embodied in an agreement between the Department of Agriculture and the state agencies which will receive and distribute the commodities. The Department provides information as to food likely to be available and the state makes requests for particular commodities giving shipping instructions. The Department has a Food Distribution Division within the Agricultural Marketing Service, and this Division in turn has an area office in Chicago through which the Illinois agencies receive their shipments. There is a periodic audit and inspection to make sure that the food granted to the state is used for the purposes for which it was intended.

Table 20 - V

Public Assistance Recipients and Expenditures in Illinois
Fiscal year ending June 30, 1956

	July 1955	--	June 1956
	<u>Average Monthly Number of Persons*</u>		<u>Average Expenditure Per Person</u>
	\$		\$
Direct Assistance**	274,821		45.86
Old Age Assistance	92,758		60.80
Aid to Dependent Children	88,619		34.24
Blind Assistance	3,491		67.40
Disability Assistance	6,908		81.55
General Assistance	83,816		37.34
County and Township Units receiving state funds	(65,657)		(41.38)
County and Township Units not receiving state funds	(18,159)		(22.77)

Source: Illinois Public Aid Commission, June 1956

* The number of persons in the categorical program are those in active cases for whom payments were made either directly to them or on their behalf. It does not include active cases for whom payments were not made during the month.

** Persons receiving assistance under the categorical programs who also received supplementation to their grants from General Assistance have been counted only once in the total.

Table 21 - V

Expenditures of Illinois Public Aid Commission - Actual Federal Share as Per Cent of Total Expended and Estimate Fiscal 1957.

	Actual <u>55 - 56</u>	Federal Share as <u>Per Cent of Total</u>	Estimated <u>56 - 57</u>
	\$		\$
Operations	9,677,684	.	10,310,541
Federal Share	4,375,552	45.2%	4,985,147
Grants to Local Govern- ment and indivi- duals	146,229,662		151,528,338
State Share	89,839,130		88,404,597
Federal Share	56,390,532	38.56	63,123,741
Old Age Assistance	67,172,434		70,227,566
Federal Share	34,961,965	52.05%	36,700,344
Aid to Dependent Children	36,027,897		40,422,103
Federal Share	17,273,009	47.94	20,003,015
Blind Assistance	2,807,018		2,912,982
Federal Share	1,386,418	48.68	1,475,806
Disability Assistance	6,723,769		11,264,231
Federal Share	2,789,140	41.48	4,944,567
Burial Awards	600,000		600,000
Federal Share	-		-
To Local Government for General Assistance	32,898,544		26,101,456
Federal Share	-		-

Source: Illinois State Budget, 70th Biennium

Table 22 - V

Estimated Public Assistance Expenditures for the 70th Biennium
July 1, 1957 to June 30, 1959

[in millions of dollars]

State and Federal Shares of Public Assistance

Programs re- ceiving <u>Federal Aid</u>	<u>Federal Share</u>	<u>State Share</u>	<u>Total</u>	<u>State Share of Total</u>	<u>Federal Share of total</u>
Old Age Assistance	\$ 73,565	\$ 68,179	\$ 141,744	51.9%	48.1%
Aid to Dependent Children	39,144	32,680	71,824	54.5	45.1
Blind Assistance	3,018	3,042	6,060	49.8	50.2
Disability Assistance	9,157	10,375	19,532	46.9	53.1
Administration	11,671	12,543	24,214	48.2	51.8
TOTAL	\$ 136,555	\$ 126,819	\$ 263,274	51.8	48.2
<hr/>					
Programs not receiving <u>Federal Aid</u>					
General Assistance		\$ 51,946	\$ 51,946	-	100
Burial Awards		1,200	1,200	-	100
Total all expenditure	\$ 136,555	\$ 179,965	\$ 316,520	43.7	56.9

Source: Illinois State Budget, 70th Biennium

Table 23 - V

Expenditures and Workload for Vocational Rehabilitation,
Fiscal year ending June 30, 1956

Total Expenditure	\$ 2,093,209	100.0%
State Share	769,254	36.7%
Federal Share	1,323,955	63.3%

WORKLOAD

Total Number Persons Referred	17,763
Number awaiting action	2,869
Cases handled	14,894
Ineligible	3,404
Current Active Load	6,992
Cases Closed but not Rehabilitated	359
Successfully Rehabilitated	4,139
Average Case Load per Counselor	156

Handicaps of Rehabilitated Person

Orthopedic	--	43%	Epileptic	--	3%
Tuberculosis	--	23	Blind	--	3
Hard of Hearing	--	10	Cardiac	--	2
Mentally Ill	--	6	Visual	--	1
Deaf	--	4	Mentally Retarded	--	1
			Others	--	1

Origin of Disability

Disease	-	66%
Other Accidents	-	19
Congenital	-	9
Employment Accident	-	6

Source: Illinois Division of Vocational Rehabilitation, Annual Report, 1956

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Table 24 - V

Federal Contribution to Expenditure for Operations of State Public
Welfare Department, Fiscal year ending June 30, 1956

	<u>Total</u>	<u>Federal Share</u>	<u>Federal Share as Per Cent of Total</u>
	\$	\$	
General Departmental admin- istration	1,236,732*		
Federal contribution (veterans bureau)		92,188	
Operating costs-all psy- chiatric hospitals	48,730,395		
State expenditure-mental health centers	495,391		
Federal contribution to mental health services	147,725		
Total expenditure mental health (not including general administration)	(49,225,786)		0.3%
Services to children and families**	2,635,225		
Federal contribution child welfare services		201,809	7.7
Institutional care handi- capped children	2,329,837		
Federal share		none	
Institutional care adult blind	287,561		
Federal share		none	
Specialized medical services (eye and ear infirmary)	581,963		
Federal share		none	
Institutional care of vet- erans and dependents	1,995,682		
Federal share		631,849***	32.0
Total expenditure of department for operation	\$58,468,511		
Total Federal contri- bution		\$1,073,581	1.8

Source: Department of Finance, Illinois State Budget, 70th Biennium

* Does not include \$147,725 contributed by Federal Government for preventive mental health services through community clinics

** Including Institute of Juvenile Research

*** Soldiers and Sailors Home - Quincy



CHAPTER VI

EMPLOYMENT SECURITY

Unlike the other grant programs, employment security, which comes under federal direction and control to a very high degree, is only in part based on the federal power of expenditure. Its primary basis is the power of taxation. The Social Security Act of 1935 as amended imposes a payroll tax of three per cent on employers of four or more persons which is remitted up to 90 per cent if the employer is paying contributions into an approved state unemployment compensation system. The system of public free employment offices, which is the other half of employment security, is brought into this compulsory system because the state unemployment compensation laws must include provisions making registration at a public employment office as a condition of receiving benefits. Thus the states are encouraged to enter the unemployment compensation field and to expand whatever services they may have previously provided in the employment field. Their doing so imposes no net cost to employers since they are required to pay the state tax in the absence of a state program. Illinois did not adopt an unemployment compensation act until 1937. The system of employment offices is much older, though it was not well developed until the states began to receive assistance from the federal government for the operation of employment services during the depression.

Unemployment compensation is essentially an insurance program, like Old Age and Survivors Insurance, which is entirely federal. It offers benefits only to those who work a minimum period in covered industries for whom contributions are made by employers, and benefits are in proportion to their earnings. The rate of weekly benefits depends on the rate of earnings; the duration of benefits, on the length of a person's employment since he last drew benefits. Benefits are financed out of special taxes on payrolls which the states must deposit in the federal treasury, except for the balance kept on hand to meet current claims. Although costs of the program are included in the state budget and in appropriation acts, the system of financing is separate from the general operation of state finance. This difference is the more striking because all administrative costs of both unemployment compensation and the employment service are paid from the federal treasury.

Because the unemployment insurance program as adopted in the United States requires individual contributions and payment records to be kept for both employers and employees, and benefits must be separately calculated for each applicant, it is a very complicated program to administer, requiring a vast amount of paper work.

Furthermore, since it is an insurance program, great reserves are accumulated, which might easily win the attention of untrustworthy officials. There are tens of thousands of payments a year in relatively small amounts and these must be made promptly. Either dishonesty or incompetent administration could be ruinous financially and destructive of the purpose of the program. At the time of the drafting of the Social Security Act program only Wisconsin had a well established program of unemployment compensation. It is therefore not surprising that the states were forced to meet requirements which severely limited them in the handling of funds and in the definition of conditions of eligibility for benefits.

To qualify as an approved program the state act must extend benefits to employees in all establishments of four or more workers, except in excluded employments. It must provide that payments to employees be based on the contributions credited to them which requires separate wage records to each covered employee as well as separate contributions records for each employer. Contributions may be used to pay benefits only to eligible persons, as the state act, subject to federal requirements, defines eligibility. Persons claiming benefits must be willing and able to work, as evidenced by their being registered with a public employment office, and the state must operate such offices. Certain grounds for denying benefits however are excluded; such as refusal to work where a strike is in progress, or where the conditions and wages are substandard. There must be provision for hearing when benefits are denied. Provisions for administration must be adequate, and employees must be employed on a merit basis.

Apart from these requirements the states have a wide discretion as to coverage for firms smaller than the minimum, the minimum and maximum size of benefits, the duration of benefits, the use or non-use of experience ratings in fixing the employer's contribution, and in adding parallel benefits, such as compensation for time lost through illness. Once a valid act is passed, the state receives from the federal treasury the full administrative costs of both unemployment compensation and the employment exchanges. The three tenths of one per cent payroll tax which the federal government collects is more than sufficient to pay the costs of administration in all of the states.

Whereas the statutes setting up the system are passed once and revised only at intervals, the payment of administrative costs permits an annual review of state compliance. Budgets must be submitted in detail, based on the recorded work load and unit cost per operation, projected into the next fiscal period. Budget requests may be considerably modified before they are approved. Subsequent expenditure must conform to the approved budget. As noted, employees in the system must be hired on a merit bases. ✓

This means that the regional representative of Bureau of Employment Security in the Department of Labor, which administers the federal responsibility under the system, keeps a watchful eye on the state civil service system as it affects the Division of Unemployment Compensation and the Employment Service.

The effectiveness of this federal supervision in influencing the administration of the state act is evident in the de facto consolidation of the Employment Service and the Division of Unemployment Compensation which has been accomplished despite the refusal of the state legislature to authorize it. The two divisions have a common head, and common staff services, such as budget, personnel, training, and statistics and research. That this overhead structure be consolidated was made a requirement of federal approval of the state budget some years ago. Consolidation of the comparable services, once separate at the federal level, provided the model for these arrangements.

State headquarters for employment security is in Chicago. The daily work of the organization is conducted in 49 offices in all parts of the state. Sixteen of these are in Chicago and five in Cook County outside of Chicago. In those offices outside of Chicago claims for benefits are made by the unemployed and they and other people register who are seeking jobs. In Chicago benefit claims are made in one group of offices, while persons who are registering as applicants for work go to other offices. Some of these employment offices specialize in particular types of work, such as manufacturing, professional, administrative or sales work, while others handle all classes of applicants.

There is some difference of outlook in the two sides of this program. Unemployment compensation is largely a matter of law and regulation in which the rights of applicants and the integrity of the system must be equally protected. Employment offices on the other hand serve both employers and job-applicants. Achievement is measured by satisfactory placements, in which men and jobs are matched, not by compliance with regulations. Compulsory registration may produce indifferent applicants. Placement personnel, concerned about meeting the needs of employers, may be unconcerned about enforcing a work test against indifferently qualified registrants. This split outlook makes for difficult coordination, and for some friction between people in various phases of the program.

Nevertheless a very large work load is handled, in placing people in jobs as well as in paying benefits. In the calendar year 1956, a monthly average of 67,000 persons received benefits

for an average duration of slightly less than four weeks. About 350,000 persons made application for employment, and about 360,000 placements were made. Benefits paid averaged about 29 dollars per week. It might be noted that the average weekly earnings of employees in manufacturing industry in Illinois, which provides the bulk of covered employment, was about 89 dollars per week in February-March, 1957.

All employers of four or more in Illinois are under the system except in a few exempt industries, principally farming and industries closely connected with farming.¹ This means that about 84,000 employers are covered, and 2,500,000 employees, out of a labor force estimated to be about 3,500,000 in March 1957. The benefits paid in Illinois have a minimum rate of 10 dollars per week and a maximum of 40 dollars. An allowance is now made for dependents, so rates vary with that factor as well as with the average rate of earnings. No one may receive benefits for more than 26 weeks out of any calendar year.

As was noted earlier the administrative supervision given the state agency is more intimate in this field than in any other field of federal grants. The payment of all administrative costs makes it possible to withhold funds not only in general, but from particular expenditures which are disapproved. The Bureau of Employment Security has close control over the size of the state staff, the administrative organization, and the working procedures used. Because of the sudden fluctuations in the work load which accompany variations in employment, because of the serious consequences of any administrative breakdown, the degree of consultation with federal representatives who are persons of long experience is unusually close. Budgeting for state expenses becomes a part of federal budget procedure. The proposals for state costs are developed in the states, submitted to the regional offices, and consolidated by the Department of Labor and submitted to the U.S. Bureau of the Budget. The Bureau of the Budget permits spokesmen for the associated state agencies to appear at its hearings on this item in the Department of Labor budget. The final decision belongs to Congress, when it acts on the Department's appropriation bill.

Close though the federal controls are in the field of costs and procedures they have not prevented considerable experimentation with the system of coverage and benefits and the calculation

1. Except for federal workers who have their own system public employees are not covered, nor are employees of charitable agencies. Railroad workers are covered by a separate system.

of employer contributions. In Illinois as in other states there is a merit rating system whereby those employers whose employees make the fewest claims for benefits pay the lowest rates. Those whose employees are more frequently unemployed pay higher rates. Maximum possible rates in Illinois are now set at 3.5 per cent of payrolls and may be as low as 0.25 per cent. This variation from the insurance feature of pooled risk has been approved by both Congress and the state legislatures on the demand of employers.²

Even the requirement of workseeking which is made of claimants is subject to administrative variation. There has been a policy of requiring those receiving benefits to show that they are actively seeking work by submitting a record of having called upon possible employers on their own initiative. Thus in employment security there is an interesting combination of rigid federal supervision over administrative aspects of the program and considerable freedom of policy making. Congress now permits states with satisfactory reserves to extend the system to include benefits to persons who are out of work because of injury or illness though only one state Connecticut, currently has such a plan.

In the last session of Congress a long standing dispute over the adequacy of the budget allowances for state services was resolved by providing that once a special reserve fund of 200 millions had been accumulated to protect state systems which were in danger of insolvency, each state should receive back in federal grants an amount equal to the three tenths of one per cent which is collected from the employers in that state. States for which this is an inadequate allowance may receive additional amounts from the federal treasury. However, the power of the Bureau of Employment Security to approve budgets remains. In the last fiscal year, 1956, Illinois received a refund of 2.4 millions for the excess of collections over administrative expenditure, and this sum is to be applied to the reduction of payroll taxes. The effect of the change has been to reduce the tax payments of employers rather than to give the states more freedom in spending for administrative purposes.

2. Of covered employers in Illinois, 40 per cent pay the minimum rate, another 47 per cent pay more than 0.25 per cent and less than 2.7 per cent, and ten per cent pay the maximum rate of 3.5 per cent of their payroll.

CHAPTER VII

AGRICULTURE AND RESOURCE CONSERVATION

A considerable amount of money is made available to state agricultural colleges, already assisted by small grants under the Morrill Act, for research and extension work in agriculture. There are also more recently established grants for research in agricultural marketing services, which go to state departments of agriculture and similar agencies which have functions in the agricultural marketing field. Still another aspect of conserving the nation's resources, are grants to the states for forestry projects and for wildlife restoration and management.

Somewhat over 12 million dollars per year is distributed among the states for agricultural experiment work and about 32 millions for agricultural extension. Allotments for agricultural research are made on several bases; each of them coming into being with successive revisions and extensions of the original legislation of 1887. Part of the grant is a flat allotment per state, part is distributed on the basis of population and still other parts on the basis of rural and farm population, respectively. Some of this money must be matched, and a portion need not be. State expenditure for agricultural research, however, is considerably in excess of matching requirements for the amount of federal funds received. The grants for extension work are on a similar basis to those for agricultural research. In a revision and consolidation in 1953, however, Congress provided that the grants actually received by any state in 1953 should continue unchanged, but that any excess which might be available above the amount so distributed should be distributed on the basis of rural and of rural farm population.

Agricultural research and demonstration work is a unique type of undertaking in the relationships between state and federal government, and in the relationship between government and its citizens. The development of improved agricultural practices, which was facilitated by the original Morrill Act, endowing colleges of agriculture and the mechanic arts, was furthered when grants were authorized for state experiment stations. These experiment stations were to undertake investigations to make agriculture a more efficient and prosperous industry. Their primary work has probably been done in the development of improved varieties of plants and animals and in the control of pests and diseases, but now encompasses a wide variety of matters related to agricultural production and distribution. The experiment stations were set up as units attached to the colleges of agriculture, with varying administrative patterns from state to state.

The relationship between teaching and research work has been close, and the administrative direction of both college and experiment stations is often in the same hands.

Agricultural extension work grew out of the efforts of the colleges and the experiment stations to find a more prompt means of getting improved methods and materials into general use than the full time teaching program provided. Agricultural specialists were stationed in various counties with some form of local sponsorship. In 1916 this system, through the provision of federal funds, was extended over the whole country. Thus the extension service with its state headquarters and its local agents, brought the services of the college of agriculture and the experiment station to every part of the state. As in the case of the experiment station, the administrative head of extension might also be administrative head of the college of agriculture, which thus had a three fold aspect, and a staff whose members often had responsibilities in each phase of the program.

The relationships with local sponsors occasioned some conflict from the very beginning of this program of federal assistance. In 1921 the American Farm Bureau Federation was formed which brought into being a national organization uniting state associations, themselves federations of the county units which originated as sponsoring agencies for agricultural work. The Extension Service of the Department of Agriculture, then the State Relations service, assisted in and encouraged this new grouping as an important ally in the extension program. The Federation grew rapidly during the 1920's, and became an effective rival of older farm organizations, the National Grange and the Farmers Union, in many places. In others, as in Illinois, it occupied the field almost unchallenged. Conflict was centered on the complex organizational position of the county agent and his staff. They were employees of a state agency which received federal funds and holders of a pro-forma federal appointment, but in some cases they also received a large part of their salary from the local sponsoring agency. In working with the farm people of his area, and in fulfilling his obligations to his sponsoring agency, through whom he was to reach the population, the county agent was apt to be regarded as assisting that local agency, a part of a state and national federation, in its general functions. This relationship between the Farm Bureau Federation as sponsor and the county agent was by no means universal. In some states competing organizations were sponsors; in others there were special county associations, unaffiliated with similar agencies; in others the county provided public funds to help pay the expenses of extension in the county. However, in those places where it existed the relationship of extension agent and county farm bureau was the target of persistent and unsuccessful attempts

to get Congress to enact a legislative "separation". In a number of states where such a relationship existed, it has been terminated either by legislative or administrative action.

This background has been sketched in to indicate the possibilities of the development of federal control even in a field in which it has never been regarded as coercive, and in which there has been great harmony between the state agencies receiving funds and their supporting groups and the federal agency disbursing the funds. Doubtless in response to the criticism of the farm bureau extension tie, the Secretary of Agriculture has recently ruled that no employee of the department might belong to, promote, or receive part of his salary from any organization interested in farm legislation. Since the local sponsors of the extension agent in Illinois are the county Farm Bureaus, linked through the Illinois Agricultural Association to the Farm Bureau Federation, and since a considerable part of salaries and office expenses are paid by the local sponsor, this has forced some readjustments of extension relationships.

It might seem surprising that the county agent, so closely identified with his locality, is covered by a rule which is issued by the Secretary of Agriculture to members of his Department. This is the result, however, of the privileges previously granted to extension workers. As we have seen they hold nominal federal appointments, they are under the federal retirement system, they receive the benefits of the federal employees workmen's compensation act, they enjoy the franking privilege. As a result of the Secretary's order, the contributions of local sponsors, which are fixed by an annual contract between the state extension service and the sponsor, now go to the University of Illinois. There is therefore no direct financial relationship between the county agent and the sponsoring agency in his county.

The procedures for distributing funds for agricultural research and extension are not unlike those in other fields. Budgets and plans must be submitted each year, showing proposed expenditures and the kind of projects they will support. In this process of budgeting there is collaboration between state and federal officials which results in an exchange of experience and a mutual adjustment of programs. Each year there is a review of the work of the experiment stations not only from a budgetary but from a substantive standpoint. In research work, however, the staffs are selected by the state agricultural experiment station, with very little federal supervision or control. In the extension program, on the other hand, there is somewhat more formal control over the qualifications of personnel appointed. Extension workers receive federal appointments as "extension agents", though without compensation, and their qualifications must be acceptable to the U. S. extension service. Such persons enjoy the free use of

the mails, or the franking privilege, for their official correspondence, as does the staff in the state headquarters of the extension service, and they participate in the federal retirement system.

Resource Conservation Program

Resource conservation grants to the states in fields other than agriculture, are limited to grants for forest management and for wildlife restoration and management. Forest grants have a much longer history than the wildlife grants. They began with the contribution to the several states of the sums realized from the sale of the products of national forests within each state. They have since been supplemented by regular appropriations. Aid is given for forest fire prevention work, tree planting, and the control of pests and diseases. Allotments are made by the Forest Service on the basis of the need of protection in each state with an additional sum to match the proposed expenditure by the state and by private forest managers. The total state contribution must equal the proposed federal expenditure. Thus the state must negotiate in the establishment of its plan and budget for whatever federal assistance is available, rather than counting on a fixed sum which it must match by a fixed amount. In such a negotiation, the federal agency can have a considerable influence on the development of the state program. In addition to the control of program, there is a control of personnel. The personnel who are to be employed on federally assisted projects must meet personnel standards acceptable to the Forest Service. In the state of Illinois the Division of Forestry, which receives these grants, is a unit within the State Department of Conservation. As in other federal programs, there are reports, audits and inspections, to insure compliance with requirements, and to check the degree of progress.

Financial Assistance for wildlife conservation is a more recent development than assistance for forest conservation. In 1937 and in 1950 respectively, Congress made provision for distributing the principal part of the revenues from excise taxes on hunting and fishing equipment to the states for approved fish and wildlife restoration and management projects. Projects are supposed to be works of lasting significance, not merely the expansion of current operations. They may be surveys of wildlife populations, or ecological studies, or the acquisition and development of shelter areas. The attached table 27 gives some idea of their scope in Illinois in recent years. Allotments for wildlife projects as apportioned among the states, half in proportion to their shares of the land area and half in proportion to their shares of the number of hunting license holders. The apportionment for fish management projects is based 40 per cent on the ratio which the area of each state including coastal and

Great Lakes waters bear to the total area of all states and 60 per cent in the ratio which the number of persons holding non-commercial fishing licenses bear to the total of such persons in all of the states. States must contribute at least 25 per cent of the cost of approved projects.

Expenditure of federal funds is on a project basis. Individual projects are developed and submitted for approval. Once approved, they are subject to inspection during the course of their execution. On their conclusion expenses are subject to audit, and the federal contribution is then made. In 1956 the federal contribution to approved projects completed, or under way during the year, was \$463,128.76, which was about one-fifth of all expenditures from the fish and game fund, which supports the Department of Conservation's wildlife protection and management activities.

These contributions, while of limited significance in the whole state budget, permit the department to undertake a number of studies on the ecology of game and commercial fish and to complete a number of shelter areas for waterfowl, for which state funds might not readily be available. The pressure on state controlled expenditure is to undertake to stock hunting and fishing areas with game birds and fish and to maintain an enforcement staff. There is less support for conserving the rapidly diminishing number of areas in which the survival of the state's wildlife population is possible, or for investigations of the conditions of wildlife survival, without knowledge of which both stocking and regulation are vain activities. Thus the federal participation in financing and project guidance is welcome to those who are interested in long range conservation.

The department's professional staff of fish and game biologists is primarily engaged in the research and development work which is done with federal support. Although there is no precise specification of personnel policies in the state agencies which receive aid, regulations of Fish and Wildlife Service of the Department of the Interior, which administers the grants, require that the qualifications of persons to work on the project be submitted. If they were thought inadequate to the work to be done presumably the project would not be approved.

In terms of project development, relations between the state and federal agencies are friendly. There are complaints by state fiscal personnel about the accounting and auditing requirements for the fairly small projects carried on under federal assistance.

Agricultural Marketing Research Program

The agricultural marketing research grants bring the state Department of Agriculture into relationships with the U. S. Department of Agriculture. Grants for this purpose are on a project basis. The federal government will provide financial assistance for projects to develop more efficient marketing procedures for agricultural produce. States must match the federal contribution with an equal sum. Reports are made and future grants will partly depend on the success with which money previously granted has been used. In Illinois there have been a variety of projects largely in response to local demand. Reporting services have been set up for local livestock markets, through which a considerable amount of livestock moves to the consumer through local slaughterers without going to the national markets at all. Egg grading has been pushed, under the state egg grading law. Growers of fruits have been assisted in standardizing their grading and packing, and in disposing of frost damaged fruit. Sweet corn growers shipping to the St. Louis produce market have been helped in pooling their shipments and in timing their marketing. This work is done with the informal collaboration of university marketing specialists and is carried on by the Marketing Division of the State Department of Agriculture.

Table 25 - VII

Federal Assistance to the University of Illinois for Agricultural
Research and Extension, Fiscal year ending June 30, 1956

<u>Purpose of Grant</u>	<u>Federal Grants</u>	<u>Grants from other sources</u>	<u>Total from general in- come and grants</u>	<u>Federal share as Per Cent of Total</u>
	\$	\$	\$	
Agricultural Experiment	652,059	225,990.91	(3,076,337)	21.20%
Agricultural Extension	1,351,597	334,893.00	(2,740,105)	49.33
TOTALS	<u>\$ 2,187,913</u>			

Source: University of Illinois, Report of the Comptroller, 1956

Table 26 - VII

State and Federal Expenditures for Wildlife Conservation
and Forestry, Fiscal year ending June 30, 1956

Expenditures of State Department of Conservation -- all activities except State Parks	\$ 2,637,421	
Department of Conservation Expendi- tures for operations from Fish and Game Funds	2,205,740	
Fish Division and Game Management Division Operating expenditures from Fish and Game Fund	858,284*	
Fish Division and Game Management Division Federal reimbursements for fisheries and wildlife restoration projects received in fiscal year	510,402	
Federal Grants as per cent of operating expenses of fish and game divisions		59.46%

Source: Department of Finance, 39th Annual Report, 1956

* Does not include expenses of game propagation division, enforcement division and departmental general office which are paid from fish and game fund.

Table 27 - VII

Wildlife Restoration Projects Under Way or Completed During Fiscal
Year Ending June 30, 1956

[Figures to nearest dollars]

<u>Name of Project</u>	<u>Federal Share</u>	<u>State Share</u>	<u>Total</u>
	\$	\$	\$
Horseshoe Lake Land Acquisition	147,439	49,146	196,585
Marshall County Refuge and Re- creational Area Acquisition	178,435	59,478	237,914
Chain-O-Lakes Wildlife Refuge Acquisition Project	7,952	2,650	10,603
Horseshoe Lake Development	6,865	2,288	9,154
State of Illinois Cooperative Wild- life Restoration Development	47,235	15,745	62,980
Union County Refuge Development	3,355	1,118	4,473
Mermet Refuge Development	6,445	2,148	8,593
Shawnee Cooperative Wildlife Habitat Development	5,426	1,808	7,234
Illinois Pheasant Research	7,794	2,596	10,391
Rabbit Management in Illinois	3,666	1,222	4,888
Illinois Waterfowl Survey	15,748	5,249	20,998
Illinois Population Studies and trends on small upland game	10,522	3,507	14,030
Wide-Roy Corn Fields as Wild- life Habitat	5,556	1,852	7,408
Wildlife Management Coordination	16,684	5,723	22,408
GRAND TOTAL	\$ 463,128	\$ 154,536	\$ 617,665
Percent	75%	25%	100%

Source: Compiled by Department of Conservation

Table 28 - VII

 Grants for Agricultural Marketing Services, Fiscal year ending
 June 30, 1956

	<u>Total</u>	<u>Federal</u>	<u>Federal Share as Per Cent of Total</u>
Division of Markets	\$	\$	
Total expenditure	125,403	19,165	15.28%
State Department of Agriculture			
Total expenditure	6,942,094		

 Source: Illinois Department of Finance, Annual Report, 1956

CHAPTER VIII

HOUSING, SLUM CLEARANCE, URBAN REDEVELOPMENT
AND CIVIL DEFENSE

The only reason for treating civil defense and slum clearance together is that in one manner or another they concern city government to a greater extent than they directly concern any other governmental unit. Public housing is related to slum clearance and urban redevelopment insofar as the clearance of an equivalent area of slums is one of the requirements of the federal housing program and the provision of sites for public housing may be one of the results of urban redevelopment operations.

Aid for public housing is the oldest of these forms of federal assistance to local governments, beginning as one of the public works projects by which the construction industry was stimulated by the Public Works Administration after 1933. The first specific statutory authorization for a federally aided public housing program was the Housing Act of 1937. This act authorized assistance to local housing authorities for the construction and maintenance of low cost rental housing for low income families, rather than direct construction and lease to local authorities which had been the policy of the Public Works Administration. Aid is given both in the form of low interest loans, if needed by the local authority, to cover the costs of site acquisition and construction, and in the form of annual subsidy, set to cover the difference between income from rentals and the costs of operation and amortization. Projects are tax exempt, except as the local authority may agree to make some payment in lieu of taxes, so that there is a partial local subsidy. The federal payment is fixed in an agreement in the form of a contract between the local public housing authority and the United States Housing Administration.

The public housing act requires the setting up of local housing authorities as the agencies through which the construction and operation of federally aided projects will be executed. Housing authorities are corporate bodies with statutory powers independent of those of the local governments, cities or counties, in whose areas they work. Their bonds are secured by their own revenues from rents and federal aid. Their principal tie with local government is that their governing boards are appointed by the local executive. However, since 1953 the Housing Act has required express approval by the local governing authorities of each request for assistance. Despite this the consequences of federal aid in the housing field have been the creation of still another semi-autonomous unit of local government.

Applications for aid for low rent housing projects must be accompanied by a survey of housing accommodations in the area which establishes both the need for low rent housing to provide decent quarters for families who are forced by low incomes to live in sub-standard conditions, and the inability of the local governments to finance such projects without assistance. The detailed project specifications must grow out of the need as demonstrated, in terms of the number of units, the type of accommodations, the proposed rental level, et cetera. There is particular concern that the site be suitable in its physical characteristics and in its appropriateness for residential area. Once project specifications are approved, the federal agency will provide temporary financing in the form of notes, if this is necessary to cover the costs of acquiring the site, drawing detailed plans and specifications, and carrying the project until bonds can be issued to cover construction costs. The federal government will lend money on the bonds of the authority, if the authority is unable to borrow more advantageously in the general market.

Bonds are retired from the rental income and annual subsidy from the government. The annual subsidy is pledged for this purpose, and that is why the contract with the local authority is an important document. It is a guarantee to investors of the adequacy of revenues to amortize the bonds which they hold.

Federal cooperation with the local housing authorities is close during the planning stage and after it. All of the architectural specifications for the project must be acceptable as well as its general suitability to the needs of the people it will serve. Standard specifications have been issued, and there is some controversy as to whether these are helpful or hurtful to local authorities in getting sound building at minimum cost. Costs must be in a reasonable range, and contracts must be let under competitive bidding. Subsequent to construction, operation must be satisfactory if the federal subsidy is to continue. One of the most important conditions is that tenants must not be persons whose incomes are sufficient to permit them to pay rental charges in private housing. The eligibility of existing tenants therefore must be periodically re-examined, and appropriate eligibility standards must be set for newcomers. Adequate accommodations must be provided for all racial groups, in proportion to their needs, if the authority follows a segregation policy.

This program resulted in extensive construction in the period between 1937 and 1942. In the latter years most construction was designated as defense construction under wartime authorizations, and income was not a primary factor in tenant selection. After the war, a gradual readjustment to the policy of low-rent housing was made.

Slum clearance and urban redevelopment is a later stage of federal interest in urban construction. The original housing act required the destruction of an equivalent number of substandard dwellings for each unit of federally aided housing, as though the existence of these dwellings rather than their occupancy was the primary evil. The Housing Act of 1949 which was a very conscientious effort at a long range program contained a broader authority for federal participation to enable large tracts in blighted areas to be acquired from present owners so that they might be redeveloped for more appropriate uses by private as well as governmental developers. This emphasis on redevelopment and the prevention of blight was re-emphasized and extended in the Housing Act of 1954. In place of the operations subsidy provided for housing, the federal government absorbs part of the difference between the costs of acquiring sites and the sum which could be realized from their resale to private developers. The local government which sponsored the project is also required to provide one-third of the net cost. Appropriate governmental uses for redeveloped land include public housing projects and buildings for governmental uses, as well as the creation of open spaces and plazas.

Other Municipal Aid Programs

In addition to the well publicized programs for public housing and urban renewal, there are several federal programs which provide assistance particularly to smaller cities in several phases of municipal operations. These are aid for sewage treatment facilities, loans for the construction of water supply facilities when these are planned as part of a comprehensive improvement of a small watershed, and grants for public works planning and for general city planning. All are of relatively recent origin in their present form, though they all had their counterparts in the extensive system of aid for local public works set up in the depression period.

The assistance given for the construction of sewage treatment facilities is a part of the Water Pollution Control Program which has been in existence for some years. Grants are available to individual cities for up to 30 per cent of the cost of the plant, or 250,000 dollars, whichever is the smaller. Fifty millions of dollars were available for this purpose in the fiscal year 1957. Applications from cities and other local units must be approved by the state water pollution control agency before they are transmitted to the U. S. Public Health Service, which administers the grants for the federal government. At present eligibility for such assistance depends both on the financial ability of the local unit to complete the project with its own resources and on the problem which the lack of sewage treatment creates on interstate and international waterways.

Closely related to this matter is that of water supply, and here also, assistance to the local unit is subsidiary to the achievement of a general program. Cities and other local governments which are responsible for water supply may ask to be included in the plans for the development of plans for erosion control and flood prevention in small watersheds which receive federal technical and financial assistance under the watershed protection and flood prevention act administered by the Soil Conservation Service of the U. S. Department of Agriculture. (There is similar provision in the Rivers and Harbors Act of 1956 for making allowance for the capacity needed for municipal water supply in the building of dams for flood control purposes.) All of the costs of a water storage structure for municipal water supply must be met by the municipality, but it benefits in that the general work of the watershed which assists in the conservation of water is done without cost to the municipality. Further long term low interest financing is available to municipal as to other project participants through the Farmer's Home Administration. Is no other project sponsor is available the municipality may be the sponsor. The local sponsor pays all land easement and right of way costs, but the costs of flood prevention facilities are borne by the federal government. These are multiple purpose projects, intended to serve the purpose of flood control, soil conservation, and the supply of water for irrigation purposes. As in the case of applications for grants for sewage treatment facilities the application must be directed through a state agency concerned with soil conservation which must approve it.

The planning grants are both administered through the Housing and Home Finance Agency. One provides a rather small sum of money nationally of which no more than 75,000 dollars may go to any state for the advance planning of necessary public works. This grant results from the difficulties which smaller cities encounter in the planning of works to be carried out with bond issue funds because they do not have full time engineering staffs and often have neither money, nor the authority to spend it, for the planning and design of public works for which no bond issue authorization has yet been made. Emphasis is put on projects which will soon be put under construction and those which are particularly needed in the locality. This public works planning is intended entirely for specific construction projects, and money available for it cannot be used for general city planning.

On the other hand, under another act the Housing and Home Finance Administration may make planning grants for the preparation of general city plans, or phases of city plans, which will serve the purpose of guiding long range urban development. As in the public works planning grants, assistance is available primarily to

small municipalities, not over 25,000 under the statute. Grants are limited to 50 per cent of the cost. Under present policy 40 per cent of the one million dollars currently appropriated are to go to state planning agencies (which provide services to local units), 40 per cent to regional planning agencies in metropolitan areas, and 20 per cent to regional planning in other areas. The highest priority proposals are those which propose to assist in the correction or prevention of blight, the replanning of area destroyed by disaster and plans to reduce urban vulnerability.

Finally, assistance is also available to various local units in the form of loans for the construction of needed public works when the local units concerned cannot sell their bonds at reasonable interest rates. The interest rate on such loans is set above the going federal rate. Like the public works planning grants this form of assistance is administered by the Community Facilities division of the Housing and Home Finance Agency. The grants for general Urban planning are administered by the Division of Slum Clearance and Urban Redevelopment of the same agency.

In this program as in low-rent housing, applications for assistance are on a project basis. They are prepared by local agencies, which by state law are authorized as redevelopment agencies. These bodies have the same corporate status as local housing authorities. In Illinois there is such an agency, the Redevelopment Commission, only in Chicago. Members are appointed by the Mayor with consent of the council. As in the case of housing, the application must be backed by a careful survey of urban blight, and the preparation of a plan for checking it by redevelopment. The local government concerned must approve the plan which is submitted. If the Division of Community Services and Urban Renewal of the Housing and Home Finance Administration approves it, a contract is entered in between the agency and the redevelopment commission. As in housing there are regional staffs available for detailed planning and consultation, and there is close collaboration in developing the details of the projects submitted. However aid here is in the form of a capital grant to cover part of the costs of land acquisition and redevelopment. The federal influence on the project ends with the carrying out of whatever site development is necessary and the negotiation of agreements for private development. Although there has been considerable planning for redevelopment in Chicago, as yet no formal proposals have been submitted by the Redevelopment Commission.



Civil Defense

In contrast to housing and urban redevelopment civil defense has so far accounted for very small expenditures by federal or by state and local government. Money is available from federal grants for the acquisition of essential items of equipment for use in the case of an emergency. These are mostly standard items which would be used in the normal local functions of health, police and fire protection such as pumpers, radio communications equipment, high pressure hose, and the like. The law under which federal aid is given requires that the state and its local subdivisions take primary responsibility for local civil defense, and that local requests be funneled through a state agency. The federal grants are allocated among the states on the basis of state population, but unused funds may be allocated to other states by the federal administrators.

In Illinois there is a State Civil Defense Agency set up by statute which has headquarters in Chicago. The Federal Civil Defense Administration is a separate agency reporting to the President directly, set up by a statute of 1950. The relations of these bodies with each other and with local units are on a voluntary basis, the principal controls lying in the disbursement of funds. The grants made available must be matched by state and local funds. As indicated, most of the expenditure in Illinois has been for fire-fighting equipment and for communications equipment to supplement the inadequate resources of local fire and police departments. There is no supervision over the use of such equipment once it is acquired. There is no money available for shelters or other types of construction and no money has been made available to the states for the stockpiling of medical equipment and supplies.

Natural Disaster Relief

Since 1950 there has been a law authorizing federal aid to localities affected by major natural disasters. Since 1953 this assistance has been provided through the Federal Civil Defense Administration. The help given may come from any appropriate agency of the federal government, but the F. C. D. A. is the coordinating agency. The President has an emergency fund for assistance to be used at his discretion. Grants of surplus commodities and surplus property such as blankets and cots are also authorized. The purpose of such assistance is the relief of suffering and the restoration of essential local public facilities. Since the state ordinarily designates its civil defense agency as the agency for natural disaster relief, the present arrangement uses a coordinated federal state local administrative arrangement. In this program the governor is supposed to couple his request for federal assistance with an assurance that substantial help will also be provided by state government.

Table 29 - VIII

Sanitary Water Board -- Proposed and Certified Priorities as of
May 31, 1957 for Construction Grants under Water Pollution
Control Act

<u>Priority Project Number</u>	<u>Applicant</u>	<u>Grant Offered</u>
1-26	Yorkville-Bristol Sanitary District	\$ 62,000.00
2-55	Ottawa	250,000.00
4-22	Lake Villa	30,420.00
5-11	Effingham	137,084.70
6-46	Farmer City	54,060.00
7-32	Lansing	219,345.60
8-40	Watseka	131,194.50
9-51	Manteno	76,873.00
12-10	Bourbonnais	66,000.00
13-54	O'Fallon	37,500.00
14-28	Charleston	124,500.00
16-31	Mokena	69,308.70
17-59	Wood Dale	95,668.32
18-17	Danville Sanitary Dis- trict	250,000.00
	Total encumbered	<u>1,603,954.82</u>

Source: Illinois Department of Public Health, Sanitary Water Board

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CHAPTER IX

THE IMPACT OF FEDERAL AID UPON ILLINOIS GOVERNMENT AND FINANCE

The federal aid program has been subjected to a steady fire of criticism for many years, especially from the organizations interested in the size of governmental expenditures and the tax burden at the state and national level. One major complaint has been that the influence exerted over state and local governments through the grant system has improperly extended the power of the national government. Another complaint has been that the more prosperous states are being unduly taxed for the benefit of the least prosperous. Still another criticism is that grants encourage expenditure, since the governments who spend the money do not have to raise the taxes. Despite this persistent criticism from ordinarily influential sources, Congress has continued to extend the range and number of aided activities, and state legislatures have continued to accept such aid.

It would seem that persistence in the face of criticism indicates that the grant program rests on more fundamental ground than the predilection of politicians to spend money. The justifications ordinarily given for the grant system are not very informative however, since few grants conform except partially to the case for grants in aid that is ordinarily given. The case rests on the general argument that grants enable the inherent limitations of state or local governments as units for administering certain programs to be overcome, without the transfer of the aided function to a unit of larger area and resources.

In this connection it is often said that grants serve an equalizing purpose. They enable a necessary activity to be carried on more uniformly over a nation or a state than it could be carried on if it were supported only by the revenues of the lesser unit. Such equalizing purpose may be seen in the school finance programs of the several states which vary state aid according to local tax resources. It is found in federal grants only to a very partial degree; there are very few in which funds are distributed primarily on the basis of equalizing resources, though this is a more important consideration than it was at one time.

It is also said that grants originated to enable a program with national implications to be carried out by the states, without the national interest in it being submerged. Perhaps the highway program is nearest this particular rationale, but only after 40 years has a highway network of intensive use been identified which is to be built under reasonably uniform engineering and traffic standards from one end of the country to another.

The greater resources of the national treasury with its more flexible system of taxes and tax administration are often cited as a reason for federal grants. Certainly these resources are of interest to those who find their hopes for governmental action dimmed by the limitations of state treasuries. Federal grants provide for only two of the several heavy objects of state expenditure, namely, highways and public assistance. The public schools, the care of the mentally ill, higher education, which for all of the states taken together represent almost three times the cost of public welfare, receive only token federal assistance. Block grants, for unspecified purposes, would better support state finance.

It is said that federal grants stimulate state action in fields which otherwise would be neglected. This is certainly true of some of them; this is the only explanation for the rather small sums available for forestry work, wildlife conservation, child welfare services, and the larger, but still modest grants for public health. None of these fields of expenditure represent an extremely heavy charge on state treasuries; the national interest in these is no more clear cut than in some other fields of state or local activity such as collection of vital statistics. In a number of aided fields such as highways, public assistance, agricultural extension services, some states had very advanced programs before federal aid was available.

There is therefore no unifying principle behind the present grant system, and this has troubled some critics. If equalization were the primary principle then it would be hard to justify grants to states with large resources, even though these may be a smaller proportion of state expenditure for the wealthy than for the poorer states. If national interest is the most important consideration, then few expenditures could be more important than those for education, since the abilities and skills of our population are the most important resource we have. If minimizing the interference with state independence were of great significance, then money could be made available without the considerable restraints which accompany many existing programs. In some of the aided fields direct national administration would seem to be a simpler matter than using grants as a means of controlling state administrations.

The Political Origin of the Grant Program

In the opening section of this study it was indicated that for most of the population federal and state governments are alternate means of securing the goals sought through governmental action, rather than the object of conflicting loyalties, as they were for General Lee. Not everyone regards them as of coordinate value however. An often heard argument is that state governments are

closer to the people than is the national government. In a purely spatial sense this is obviously true - state capitals are generally closer than Washington to most of us. It is by no means obvious however that state governments are any more responsive to stirrings among the population than is Washington. Members of the House of Representatives are at least as close to the people in their constituencies as are the members of state legislatures; certainly more of the population know the names of members of Congress and how to reach them. The use of the national government may therefore be quite as natural to the great bulk of the population as the use of state government.

Provisions for grants reflect less a consistent difference in the capacity of state and national government than they do the diversity of political life in the United States, where many different goals compete for public support, and find different degrees of acceptance among representative agencies at various levels. Whatever the legal dependence of cities on state government, the officials of many municipalities find it easier to get assistance in dealing with what to them are problems in Washington than in their state capitals. The friends of conservation policies, whether wildlife, land, or water, seem to find it easier to get support in Washington than in their state capitals. It is interesting that the federal-aid highway program, and the vocational education grant program began at a time (1916) when states were relatively unburdened with expenditure. The battle for women's suffrage was won in Washington, when constitutionally speaking, it could just as well have been won in the states.

On the other hand, many who oppose the extension of governmental responsibility into new areas, and who oppose increased tax burdens, seem to find the state capital more sympathetic than Congress or the White House. In this situation, each group with a political objective pursues it through that government which seems to offer the best opportunity for gaining its purpose. When the result of the conflict is a federal aid program, rather than exclusive control and financing by either national or state government, a much greater diversity of program and procedure is possible than would otherwise come about. This very diversity undoubtedly corresponds to the alliances of diverse interests which support most federal-aid legislation: financial support and some sort of national standard are provided, but there is considerable room for supporting groups to pursue different policies.

This factor of diversity of interest and organization among the politically active population, which is very evident in the great variety of conditions under which grants are extended, limits the possibilities of dictation in the federal grant system even when the states are quite dependent on the grants which they receive.

In none of the grant programs is there enough support for a completely uniform federal policy to make it possible to lay down one. Grants provide a means to influence state policy without dictating it. They are a potential incentive to undertake some activities rather than others. The various requirements which we have examined in detail in earlier sections are limits on state action. Nevertheless the appearance of limitation cannot be taken too seriously. At the point at which federal requirements deviate most sharply from the current tendencies of state policy, the grant administering agency is apt to find that those who support it are split and that it is on insecure ground.

An example of the concurrence rather than the opposition of state and federal policy trends is provided by public assistance, which has been the object of bitter criticism in many states. The characteristics which seem to occasion criticism in state legislatures--the combination of the ruthless assessment of resources of applicants, and of insistence that need, when determined, must be provided for whatever the personal shortcomings of the needy--were fundamental principles of the original Social Security Act. The Illinois legislature has been restive under these restrictions, and there has been a stream of bills over the years to exempt a portion of income or property from the computation of need, and on the other hand to extend to the close relatives of the needy responsibility for their support. The secrecy of relief rolls was also an issue on which Washington and state capitals were apt to be in opposition. Many said that the possibility of public disclosure would discourage fraud. In contrast the policy of secrecy was based on the protection of the person aided, a fundamental principle of the Social Security Act.

In all of these respects and others, Congress has modified the original Social Security Act so that the states are free to change their policies. The names and addresses of persons receiving aid, though not other information about them, may now be a public record and is in Illinois and other states. States are required under the Aid to Dependent Children Program, to inform the prosecuting authorities of non-support by delinquent fathers, or other responsible persons. The 1956 amendments to the Social Security Act permit the states to ignore the first 50 dollars of income per month in computing need under the Blind Age Assistance program. The new amendments also stress the purpose of the Assistance programs to assist persons to become self-supporting, already an active concern in the states. Illinois has for some time followed an administrative policy of requiring apparently employable persons on the assistance programs to seek work and of encouraging mothers receiving aid for dependent children to seek employment and make provisions for care of their children during the working day.

Even when statutory requirements are very exacting there is considerable room for variation of policy and procedure by the states. The statutes do not give a sure answer as to which of the many miles of the primary road system should be reconstructed from available funds, nor to what standards. They do not indicate what the minimum necessities are which the states are to provide for those receiving public assistance. Neither federal statute nor federal administrative regulation determines how strenuous the search for work must be if a worker is to continue to receive unemployment compensation benefits.

The agencies which administer grants are in a position to influence state action in these matters. They can discuss administrative policies when budgets are presented, and they review state activity for compliance with regulations. They make inspection trips and audits and they participate in conferences and training sessions with state personnel. The federal officials are more detached from the immediate operation of state politics than are state officials and they are familiar with conditions and policies in other places. Therefore, they have a different perspective in all of these opportunities to influence state administrative policies.

However, the state officials are not simply blotting paper to absorb federal influence. They must live within the limits of state politics; they are responsible to the legislature, the governor, the courts and ultimately to the public. In a public contest, when federal and state policies are in conflict, the federal officials are likely to come off second best. Senators and Representatives from Illinois will carry the state's case to Washington, if they disapprove of the federal policy. Governors are powerful influences in their party's councils, nationally as well as in their state. Finally the effectiveness of the federal programs depends upon state participation in it. If aid is withdrawn, if the state administration is estranged and uncooperative, then the effectiveness of the federal program is blunted.

The most marked impression that one carries away from a review of federal-state relations under the grant program is that cooperation is more evident than competition or coercion. There is no nice division which can be made between areas of state and federal action; the range of overlapping interest is wide. The grant aid device enables both to occupy areas of action with less conflict and with more adequate coverage than might be the case if there were not such a motive for coordination.

Federal Grants and State Expenditures and Taxation

The fiscal significance of grants-in-aid is a matter of considerable controversy. We have shown in the first section of this study that there has been a steady increase in the relative share which grants from the federal government constitute of the total revenue of Illinois. They are not so large a share however that it is inconceivable that the state could not provide services on somewhat the present scale without such aid. But to continue services without federal grants would mean a considerable increase in the amount of revenue which the state government itself must raise. It would appear that most people in elective office in state government, not to mention those who administer the aided programs, would just as soon not face the difficulties of overcoming the varied sources of resistance to increases in established taxes, or to the imposition of new ones, with or without constitutional amendment. In Illinois the question of federal grants or no federal grants is not an absolute question of resources, but of which government, with its variously organized constituencies, is willing to impose the burdens which the provision of services requires. In the struggle over federal or state financing, who pays the bill partly depends on which government levies the taxes and this is always a point of dispute.

Nevertheless it is often said that if the Illinois treasury were to receive all of the federal tax receipts collected in Illinois which now go to provide federal aid in one state or another, Illinois would be well able to finance its own activities out of its own income. It is not as simple as that. The repeal of all federal taxes would not mean a corresponding direct benefit to the treasury of Illinois. With the exception of excise taxes such as the taxes on liquor, cigarettes, gasoline, motor vehicles and parts, the state and federal government do not occupy the same revenue fields. The state cannot at the present time duplicate the federal yield from corporate and personal income taxes, nor could it easily do so if it had the (state) constitutional authority to levy these taxes. You cannot collect taxes within a limited area like Illinois in the same thorough way that you can on a national scale. Even increased excise taxes on gasoline and liquor (to replace the federal levy, if the federal levy were abandoned) might be resisted within the state because of the competition with surrounding states which might not increase their rates. Only to a limited extent, therefore, could the state of Illinois collect the sums that the federal government now yields, if the federal government were to withdraw in favor of the state governments.

Part of the opposition to federal grants rests on the belief that they contribute to a general increase in governmental expenditure. State capitals are regarded as either more reluctant or less able to raise and spend than Washington. It is true that the history

of a number of grants suggests that those who proposed them were able to get more attention in Washington than they were in state capitals. In most cases these were smaller grants, of which those for forest management and child welfare services are typical. A more recent example is the grants to local communities for sewage treatment facilities to reduce water pollution. It can scarcely be argued that the states could not raise the sums which are contributed from their own resources, even though it meant cutting some other object of expenditure. On the other hand, if the control of stream pollution is important and the state legislatures are unwilling to divert some state expenditure to assistance to local communities to prevent it, it would be very doctrinaire to say that the increase of federal expenditure is a net evil. Government is an instrument for doing what people want done. It is vain to insist on an a priori division of functions if the people who control the government will not accept it. If federal expenditures are to be cut, the various grant-in-aid programs will stand up very well in any listing of federal expenditures in order of importance.

It is by no means clear that if federal grants were eliminated, the net total of government expenditure would be cut. The present situation, which permits state governments to spend without the unpleasant necessity of taxing to meet the whole total of expenditure, enables the elected and appointed officials of state government to avoid some unpleasant decisions. Exposed to the full demand for service, it is quite possible that they would find it easier to raise taxes than to cut services. Taxes were raised drastically in the very depths of depression to finance depression born responsibilities. It is here that whatever equalizing factors operate in the distribution of federal grants make their contribution. If Illinois could make up the 18 per cent of revenue which federal aid represents, it would not be so easy for Mississippi to make up 26 per cent. The net gain for the nation is very doubtful if relatively wealthy states maintain their expenditures out of their own revenues, but poor states cut essential services because their revenue is inadequate. The children of Mississippi are the future citizens of Michigan, Illinois, New York and California.

State Fiscal Control and Federal-Aid Funds

Another criticism of grants in their fiscal aspect is that grants represent an arbitrary element in state finance, not subject to control by the state government itself. It is apparent that difficulties occur in the development of a financial program when a portion of the revenues and a portion of the expenditures are outside the control of the budgeting and appropriating authorities.

There are a few federal aids such as the various grants for agricultural extension and research and the annual grants to land grant colleges which are continuous and automatic, being varied only occasionally as Congress increases them or indicates additional purposes for which money is made available. By contrast grants for public assistance are "open-ended"; Congress reimburses the states for grants to eligible persons in approved programs up to a stated fraction of such expenditure per person. So far the full sum for which the federal government has assumed responsibility has always been available. In other aid programs the level of support is unpredictable and may vary sharply. Such has been the case in public health where Congress has created new categories for which aid is to be given at one time and thereafter has cut appropriations for these purposes sharply. Grants for highway construction have varied upward and downward with depression and war and fear of inflation. Currently they are at a level which is almost fantastic in comparison with the expenditures of earlier years. Probably the most pronounced swings have been in the grants for low rent public housing which have been in and out of favor almost in a four year cycle.

These fluctuations are certainly embarrassing to state governments. Staffs may be built up in such a program as venereal disease control and commitments undertaken to the local governments which are participating only to be reduced at about the time effective work is being done. In such a program as public health the variations may be a small part of the whole expenditure and the entire staff and facilities can be transferred to other projects; but fluctuations in federal aid are still wasteful and disheartening. Whether they represent a problem in fiscal control is another question.

Fiscal control serves a variety of purposes. Foremost in the minds of most people who are concerned with it is the achievement of a budgetary balance, avoiding expenditures in excess of income, to a lesser extent avoiding treasury surpluses which serve no useful purpose. Such a balance is required by the Illinois Constitution which gives a very limited borrowing authority to state government. From this point of view possible fluctuations in the level of federal grants are not a problem. They are earmarked for particular services and if they vary, those services vary and not other parts of the budget. The procedure in Illinois is to include projected expenditures from federal grants in the appropriations limits for the agencies receiving them so that the total of appropriation bills is very close to the total of legally authorized expenditure. However, should there be increases in federal grants above those anticipated at the beginning of the biennium, agencies can spend such moneys even though the appropriation does not cover them. No appropriation is a guarantee that money will be available

to cover the expenditure authorized, and if federal grants are less than expected the expenditure will be cut. From this standpoint federal grants have little relationship to the achievement of a budgetary balance. They can be estimated as can other revenues, but if they are below expectations expenditure must be cut. By and large the large federal grants are in fields where it is feasible to cut expenditure, either by postponing expenditure, as in highway construction, or by reducing the grants to needy persons below the level which was previously thought tolerable, as in public assistance. If such fixed cost programs as hospital operations or education depended substantially on federal grants that would be another story.

A second purpose which should be achieved by budgeting is a systematic and defensible distribution of available income among the competing objects of expenditure. This is in the last analysis a political decision; it is a question of what people want in return for the income which government takes from them. The budget decision can better be made if adequate information is available and a large part of the justification of executive budget procedure is that it provides such information. It is at this point that there may be a temptation to shift objects of expenditure because some expenditures carry a prize in the form of additional federal money and others do not. If this were what happens, then one should expect to find the large state expenditures in the fields in which federal aid is provided. It is true that some of the largest fields of state expenditures receive the largest matching federal grants, public assistance and highway construction in particular. However, there are fields of comparable magnitude of expenditure, state aid to public elementary and secondary education, higher education, and the treatment of mental diseases, in which federal aid is wholly nominal. The proportion of federal to state expenditure in public health is as large as it is in any other activity, but public health is a relatively modest cost in a state budget of over two billions for the 70th Biennium. It is probably true that in relatively poor states, the temptation to maximize federal grants by maximizing matching state expenditure is strong, but in a wealthy state like Illinois after the maximum amounts have been set aside for federal grants, there is still adequate prospective income to distribute among other purposes. Nor does the state necessarily match every federal grant to the maximum amount if there is little demand for a particular grant aided service. For several years the state has left to local communities the burden of matching federal grants for airport and hospital construction.

A third purpose which should be achieved by fiscal control is the avoidance of waste in expenditure. It is one of the advantages of adequate budgeting and accounting that the expenditure of funds in excess of authorization and expenditure excessive for value received can be exposed for legislative and public criticism. In this respect federal grants would seem to transgress many of the canons of fiscal responsibility. The budget office and the legislature exercise no control over their availability and none over their expenditure despite the formalities of inclusion in the budget estimates of income and of appropriation. The centralized accounting service of the Department of Finance does keep a record of income expenditure under federal grants and so the informational aspect of control is preserved.

The controls exercised by the grant administering agencies are probably more than adequate substitutes for state budgeting and appropriations control however. Budgets are made up for aided activities, fiscal and program reports must be made. There are continuous inspections of activities in progress, and regular field audits to verify financial statements and insure compliance with prescribed policy and procedure. Thus fiscal irresponsibility in the narrowest sense is avoided. Efficiency in the sense of the return for the money is probably better achieved by the federal controls than by those of state financial management since the personnel of the federal agency are specialists in the various aided services and in a better position to know whether expenditure is reasonable in relation to work load than are the state budget examiners and auditors who cannot be specialists in service as well as in fiscal control.

The fourth object of fiscal control is the management of expenditure after appropriation to avoid deficits and the waste which may be occasioned by unchanged expenditure despite changed needs for services. A budget and an appropriations act are little more than a prophecy both with respect to the anticipated level of expenditure and with respect to expected income. Deficits may occur even if expenditure is well within appropriation limits, and the work load of state agencies may change sharply either up or down. One of the achievements of central fiscal management in Illinois has been the setting up of accounting services which provide reliable records of the rate of expenditure and permit changes on spending patterns to be imposed administratively when conditions require them. Such changes are usually downward, but the responsible officers may authorize a rate in excess of that anticipated if they are willing to recommend a deficiency appropriation at the next session. In this respect the existence of federal grants is only an additional contingency which may modify the states' fiscal prospects during the course of the two year fiscal period between legislative sessions. As long as the accounting controls are working, the rate of expenditure under federal grants can be known and controlled and state matching expenditures adjusted where possible.

The final question which may be raised is the effect of federal grants upon the state's funding system. Since funds control all budgeting, appropriation, and accounting procedure, being available only for legally specified purposes, their multiplication complicates the procedural aspects of all fiscal operations, and makes the resulting financial statements and reports hard to understand by anyone not experienced in the fund system. To achieve the appropriate segregation of aid funds which are limited to specified purposes they are handled as special funds, from which transfers may be made to the General Revenue or other funds to cover expenditures under appropriation acts. As in some other aspects of this question, grants are only one of the factors which complicate the state fund system. It is extended steadily each year to include a greater number of funds, and federal aid funds are a minority of the total number. All that can be said is that the mechanics of accounting and reporting are not insurmountable and that the executive officers and legislators concerned are able to find their way through the maze even if the ordinary citizen is confused by it.

What is more important than the multiplication of funds in Illinois in confusing the fiscal picture is the virtual immunity of the elected administrative officers other than the governor from the central system of budgeting and of accounting and auditing control. These officers do not need to justify their expenditure in budget requests as do the agencies under the governor, there is no audit of their expenditures by the Department of Finance, and they make only such reports as to the state of fund and appropriation balances as they choose to make. Furthermore, they are not under any administrative control as to the rate of expenditure and they may spend up to the full limit of their appropriations without regard to the effect of this spending on any other state operation whatever. Alongside this omission the exclusion of federal funds from some of the aspects of fiscal control is a very small matter.

The conclusion is that the existence of uncontrolled pockets of income and expenditure may contravene the formal fiscal principles of public fiscal management, the practical effect is not to embarrass the system of state control which is subject to numerous unpredictable contingencies, nor to permit careless and unconsidered expenditure. What is lost in state scrutiny is more than made up by the system of control by federal agencies which administer the grants. Furthermore, by control of the state share of federal expenditure, which is a matter of strenuous discussion in all of the financially significant programs, the federal share is in effect controlled as well. The final achievement of a well balanced program of expenditure still lies with the governor and his fiscal

officers and with the legislature. The management of expenditure during the biennium lies with the executive officers, especially the governor and the Department of Finance, in those areas in which they are permitted to function. The elimination of grants-in-aid would give rise to a frantic scramble for alternate revenues rather than permit the achievement of a new order of certainty and efficiency in fiscal management.

Administrative Standards and Grants-in-aid

Of the benefit of federal supervision under the federal grants to the development of personnel standards and administrative techniques there can be little doubt. It is true that the progress toward a career system in Illinois has been steady and there are a growing number of employees who hold their positions as a result of competitive examinations. One of the most highly trained and professionally competent groups of state employees - the engineers of the Division of Highways - have been exempt from the requirement of competitive examination and the protection of certified status. Nevertheless they have been a stable group hired and promoted on their qualifications.

But the influence of federal agencies has been an element in this development and representatives of these agencies keep careful check of the frequency with which examinations are given and of the professional qualifications of persons for those positions for which professional training is required. Even though the Bureau of Public Roads has never set down specific requirements for state personnel who administer aid funds, its influence is in the background whenever there might be a disposition to use engineering positions for patronage purposes. It is most likely, in view of the adoption of the new personnel code, that Illinois is now prepared to maintain high standards of personnel administration in all departments on its own responsibility but it could not be said that that was always the case in earlier years.

Similarly in administrative techniques such as program planning, the maintenance of departmental accounting and fiscal controls, the preparation of procedural manuals, the determination of unit costs, the use of inspection and statistical reporting as control devices, the development of employee training, and staff development, the federal agencies have shown the way to some state agencies whose administrative leadership in an earlier day probably could not have done as much on their own. One of the functions of the grant administering agencies is to carry out studies of the effectiveness of various types of organization and procedures and to act as a communications center for exchanging experience between the states. The utter absence of trained people to administer such complicated

activities as unemployment compensation forced state administrators to rely on federally developed procedures and systems in the days when such programs were new. Now, thanks in part to training provided by the federal agencies, the staffs of most grant receiving agencies are well able to handle their problems.

Federal funds have been available to meet the costs of a number of activities which seem to have been too esoteric to receive ready state support. The admirable work done by the Division of Research of the Division of Highways is financed by a special federal grant of one per cent of the state's highway allotment which is earmarked for research. Research includes traffic studies, studies of construction costs, financing, and economic benefits as well as engineering and materials studies of all kinds. This allotment for research is to be increased by an earmarked percentage under the 1956 Highway Act to study the impact of the highway program on local communities, fiscal, social and economic conditions. In the welfare field, federal funds can be used to finance experimentation by private agencies, which the state itself cannot legally support, such as the treatment of emotionally disturbed children or the vocational adjustment of people who have been released from mental hospitals. Federal funds are used to provide advanced professional training for workers in such fields as public health, mental health and child welfare, where trained people are virtually unobtainable. Until the new personnel code was adopted there was no legal authority to provide funds for other than on-the-job training.

When the detailed operation of the grant programs is studied it is obvious that federal-state operations complement each other to a considerable degree instead of being exclusive and opposing possibilities of action. The people in the various programs are not in opposition to each other, nor are the groups in the population which support these activities. Whatever inferences may be drawn from constitutional doctrine as to the proper role of state government and federal government respectively, the battle is fought over particular governmental activities, not over the roles in general. Groups which oppose federal intervention in some fields seek it in others, and vice versa. For example, groups in Illinois which have opposed federal aid as an invasion of state rights, nevertheless opposed any change in the state personnel system which would lessen the protection of employment service and unemployment compensation personnel partly on the grounds of the close relationship of these activities to the federal government which pays the whole administrative cost.

The result of federal-state interaction, in grants in aid, and in nonaided fields is an impressive interweaving of governmental effort. There is obviously room for much more variation among

state administrations working under the federal supervision provided by a grant program than there is in a single national administration of the same matter. Further there are few fields of aided activity which could conceivably be either exclusively state or exclusively national. It is inconceivable that the federal government could build and maintain every road for which the states now are responsible. If they could, there would still be rural roads and city streets which would have to be worked into the national system. Health is a matter for every government, from the township or village up or the United States down. So is welfare. The conservation of resources affects privately held lands which are subject to the residual power of the states to control the private use of property in the public interest quite as much as it affects the landownership of the federal government.

The existence of unavoidably parallel activities in the various forms of local government, state government and national government is eased by the existence of the grant system which provides a means of influence and a source of authority which one government can exert over another without removing functions from that government, and without transferring entirely decisions made in a local or state arena to the national arena with its different constellations of political power. The multiple authorities, related in part of their work by a grant system, work with more room for individual and group initiative inside and outside the administration than could be achieved by a monolithic national administration.

Nevertheless there is a degree of uniformity of policy and administrative conditions which is appropriate to a nation which is a single community for an increasing number of purposes and not merely a legal entity within definable boundaries.

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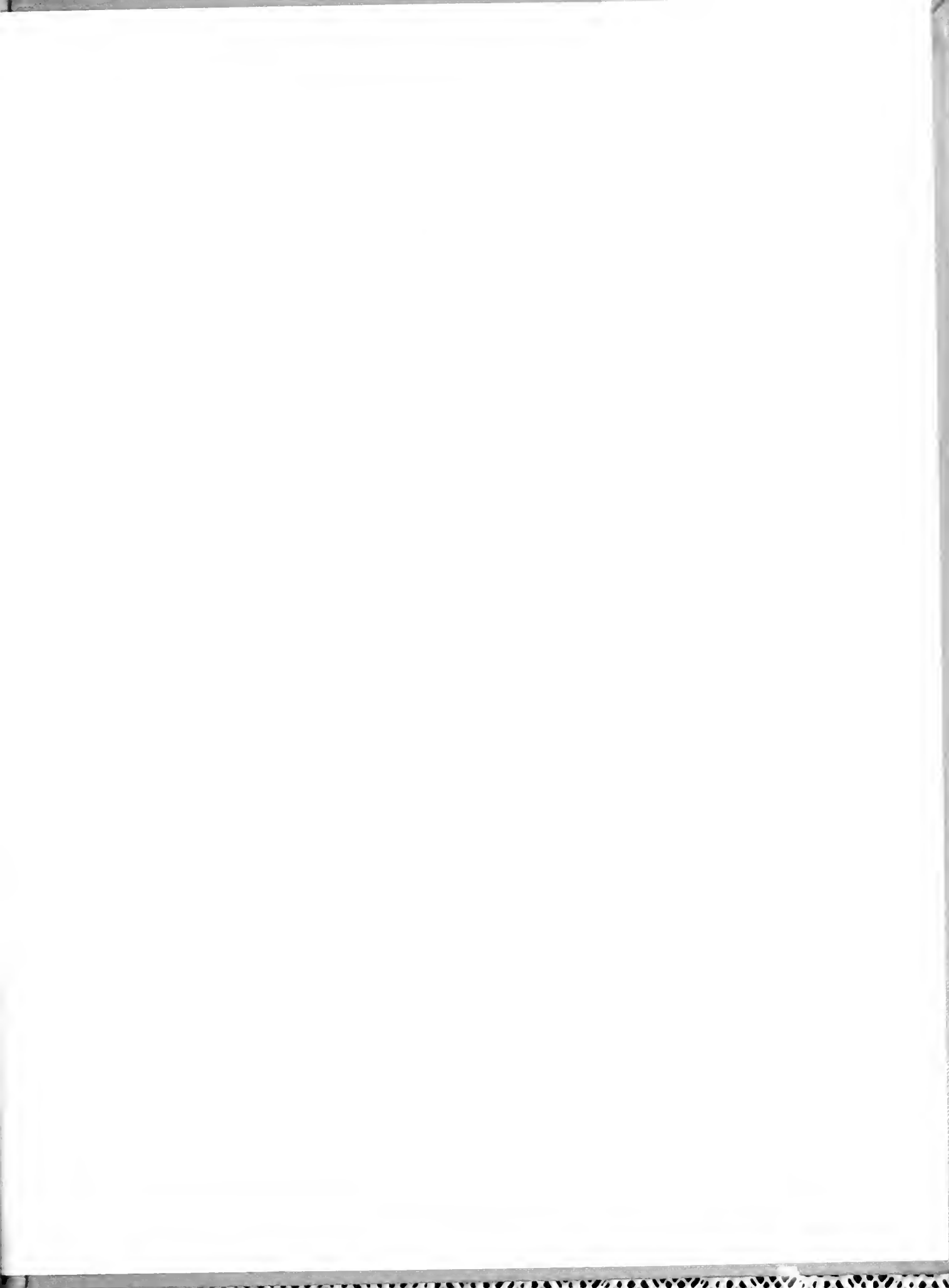
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